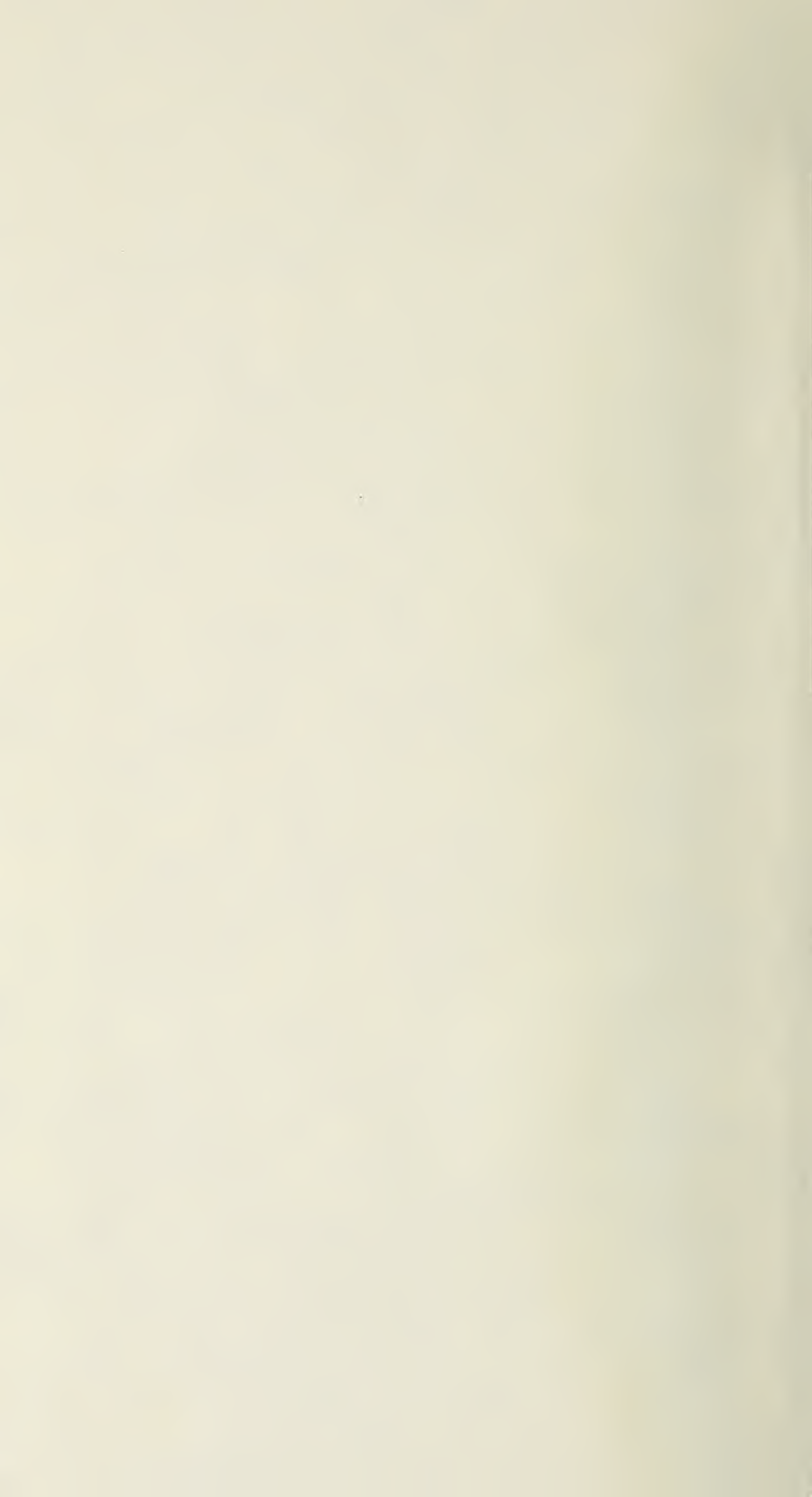


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BUSINESS AND ACCOUNTING METHODS INDIAN BUREAU

REPORT

TO THE

JOINT COMMISSION OF THE CONGRESS OF THE UNITED STATES

SIXTY-THIRD CONGRESS
THIRD SESSION

TO

INVESTIGATE INDIAN AFFAIRS

RELATIVE TO

BUSINESS AND ACCOUNTING METHODS EMPLOYED IN
THE ADMINISTRATION OF THE OFFICE
OF INDIAN AFFAIRS



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CONGRESS OF THE UNITED STATES.

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II

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REPORT ON THE BUSINESS
AND ACCOUNTING METHODS EMPLOYED IN THE
ADMINISTRATION OF THE OFFICE
OF INDIAN AFFAIRS

(Prepared for the Joint Commission to Investigate Indian Affairs by the
Bureau of Municipal Research, New York, August, 1914)

OUTLINE OF REPORT ON THE BUSINESS AND ACCOUNTING METHODS EMPLOYED IN THE ADMINISTRATION OF THE OFFICE OF INDIAN AFFAIRS.

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BUSINESS AND ACCOUNTING METHODS INDIAN BUREAU.

PART I.—DESCRIPTION OF PRESENT ORGANIZATION METHODS AND PROCEDURE.

*The Joint Commission to Investigate Indian Affairs,
Sixty-third Congress of the United States, Washington, D. C.*

GENTLEMEN: At your request the New York Bureau of Municipal Research has made an inquiry into the business and accounting methods employed in the administration of the Office of Indian Affairs. A summary of conclusions will be found in the introductory part of this report. While a detailed description of present methods and conditions is submitted herewith, it was thought undesirable to take the time to work out concretely the constructive details unless some action were taken which would indicate that these details were desired.

NEED FOR SPECIAL CARE IN MANAGEMENT.

The need for special care in management of Indian affairs lies in the fact that in theory of law the Indian has not the rights of a citizen. He has not even the rights of a foreign resident. The Indian individually does not have access to the courts; he can not individually appeal to the administrative and judicial branches of the public service for the enforcement of his rights. He himself is considered as a ward of the United States. His property and funds are held in trust. Both of these facts place the Government in the position of a guardian, charged with extraordinary care. The Indian Office is the agency of the Government for administering both the guardianship of the Indian and the trusteeship of his properties.

CONDITIONS ADVERSE TO GOOD ADMINISTRATION.

The legal status of the Indian and his property is the condition which makes it incumbent on the Government to assume the obligation of protector. What is of special interest in this inquiry is to note the conditions under which the Indian Office has been required to conduct its business. In no other relation are the agents of the Government under conditions more adverse to efficient administration. The influences which make for infidelity to trusteeship, for subversion of properties and funds, for violation of physical and moral welfare have been powerful. The opportunities and inducements to peculation are much greater than those which have operated with ruinous effect on other branches of public service and on the trustees and officers of our great private corporations. In many instances

the integrity of these has been broken down. It is not to be accepted as a conclusion, however, that those who have been employed in the Indian Service have been below others in ability or integrity when things have gone wrong. It has been largely due to the conditions under which the service has been required to operate.

GOVERNMENT MACHINERY INADEQUATE.

In the first place the machinery of the Government has not been adapted to the purpose of administering a trust. In the second place there has been little sympathy or favorable opinion to demand that an effective business machine be developed. In fact the public opinion which has dominated the Government has been either hostile or passively indulgent of abuse. This is one side of the picture. On the other side, behind the sham protection which operated largely as a blind to publicity, have been at all times great wealth in the form of Indian funds to be subverted; valuable lands, mines, oil fields, and other natural resources to be despoiled or appropriated to the use of the trader; and large profits to be made by those dealing with trustees who were animated by motives of gain. This has been the situation in which the Indian Service has been for more than a century—the Indian during all this time having his rights and properties to greater or less extent neglected; the guardian, the Government, in many instances, passive to conditions which have contributed to his undoing.

OPPORTUNITIES STILL PRESENT.

And still, due to the increasing value of his remaining estate, there is left an inducement to fraud, corruption, and institutional incompetence almost beyond the possibility of comprehension. The properties and funds of the Indians to-day are estimated at not less than one thousand millions of dollars. There is still a great obligation to be discharged, which must run through many years. The Government itself owes many millions of dollars for Indian moneys which it has converted to its own use, and it is of interest to note that it does not know and the officers do not know what is the present condition of the Indian funds in their keeping. Every community bordering on Indian lands still has in it persons who are using every influence at their command to obtain official action to the end that they may get possession of Indian lands. Great corporations maintain lobbyists and unprincipled agents with a view of getting concessions, leases, and legislation which are favorable to their own selfish purposes, but unfavorable to the Indian.

PRIMARY DEFECTS.

As has been said, a primary defect from the viewpoint of the Government and the execution of its trust is one of organization. Going along with this have been defective and antiquated methods. But what has contributed most to a continuation of essential defects has been lack of facilities for making available the facts—lack of publicity. But in this the Indian Service does not present a new problem. The story of the mismanagement of Indian affairs is only

a chapter in the history of the mismanagement of corporate trusts. The Indian has been the victim of the same kind of neglect, the same abortive processes, the same malpractices as have the life-insurance policyholder, the bank depositor, the industrial and transportation shareholder. The form of organization of the trusteeship has been one which does not provide for independent audit and supervision. The institutional methods and practices have been such that they do not provide either a fact basis for official judgment or publicity of facts which if made available would supply evidence of infidelity. In the operation of this machinery of government, therefore, there has not been the means provided for effective official scrutiny and the public conscience could not be reached.

AMPLE PRECEDENTS TO BE FOLLOWED.

Precedents to be followed are ample. In private corporate trusts that have been mismanaged a basis of appeal has been found only when some favorable circumstance has brought to light conditions so shocking as to cause those people who have possessed political power, as a matter of self-protection, to demand a thorough reorganization and revision of methods. The same motive has lain back of legislation for the Indian. But the motive to political action has been less effective for the reason that in the past the Indians who have acted in self-protection have either been killed or placed in confinement. All the machinery of government has been set to work to repress rather than to provide adequate means for justly dealing with a large population which has had no political rights. There was no constituency in the Government or the people to which an appeal to self-interest could be made. Changes in organization and methods therefore could come only through some means which would regularly make public the facts necessary to an appeal to the conscience of those who have no personal interest in Indian affairs. This means has been wanting. Appeal has been made only when conditions have developed which endangered the lives and health of millions of Americans threatened by the outlawry or disease results of social neglect.

CONSTRUCTIVE RECOMMENDATIONS.

Briefly stated, the constructive recommendations of the report are premised on what would seem to be conclusive evidence that the funds and properties of the Indian have not been adequately protected in the past. The need for change is found in lack of adequate means whereby officers and agents of the Government may be held strictly accountable as "trustees" for the funds and properties of the Indians, and for the development of the highest efficiency on the part of those who perform the function of "guardian"—i. e., those who are charged with responsibility for the care, education, health, support, and physical welfare and comfort of those who are reduced to the status of wards to the Government. With the view that further adaptations should be made to secure these ends, the following general recommendations are made:

1. That there be a systematic reorganization and revision of methods.

2. That in making these changes, units of organization be established to exercise the function of "guardianship" or care, education, and physical welfare of the Indian, which are separate and distinct from units of organization, which are charged with the exercise of functions of "trusteeship."

3. That in each group of organization units a clear distinction be made between the "line" as distinguished from the "staff." That is, the "line" organization would be responsible for doing things and the "staff" organization would be responsible for advising the heads of the line with respect to planning and the manner in which plans and orders are executed by others, the staff to be relieved from issuing and executing orders which require direct dealings with the "line," the Indians, or with the business world.

4. That the whole service be taken out of politics and the personnel of both branches of the service be so classified and graded with such salary rates as to provide a service-wide opportunity for promotions based on individual efficiency, instead of having the opportunity of the individual so limited as not to offer him a career.

5. That methods of appropriations be changed with a view to establishing a more effective control over the contracting and purchasing relations, and at the same time reducing the cost and eliminating the unnecessary "red tape" of administration.

6. That the allotments be made under conditions attached to appropriations which would locate administrative responsibility for the exercise of foresight in planning work to be done as well as review of results, and to this end requiring the establishment of accounts and current reports which will show cost of work under each allotment.

7. That methods of inspection be systematized and developed in such manner that the administration may utilize the reports of supervisors and special agents more effectively, and to this end to install standardized forms of "score cards" wherever practicable, on which reviewable facts may be reported instead of leaving the whole matter to the initiative and discretion of each individual.

8. That provision be made for the more economic purchase and distribution of supplies, materials, and equipment.

9. That a complete system of double-entry accounting be installed which will insure complete, accurate, and up-to-date reports of all facts needed by the administrator, by Congress, or by citizens in thinking about the business and financial relations of the Indian Service.

CRITICISM OF METHODS, NOT OF PERSONNEL.

The critical statements which appear in different parts of the report relate to methods and procedure rather than to officials and employees of the Office of Indian Affairs. The incomplete and unsatisfactory accounting system described is largely due to a lack of facilities and lack of personnel for the installation and operation of an up-to-date accounting system rather than to neglect or deficiencies on the part of officials, clerks, and employees in the service. For some time past it has been realized that the methods now in use are not adapted to the character or volume of work which is being performed. This realization has brought about from time to time changes which have been in the nature of new patches placed on an old garment—

i. e., has resulted in adding new features to the old methods in vogue, but not in the installation of a system which is flexible and responsive to the needs. A thorough reorganization and a thorough revision of methods of accounting and reporting should be made a part of the further development of the work of the Office of Indian Affairs.

SCOPE AND METHOD OF SURVEY.

The survey was undertaken with the following purposes in view:

1. To learn the existing, important business and accounting problems confronting the administration of the Office of Indian Affairs.
2. To state wherein it is thought present methods are defective.
3. To formulate constructive suggestions with a view in mind of providing more up-to-date methods of administration and accounting, by which the interests of the Indian would be better served.
4. To discuss the advantages which it is thought would be gained from the adoption of the constructive recommendations proposed.

The last two of these purposes have not been carried out in detail for the reasons above stated.

In studying the Office of Indian Affairs the following plan was pursued: The organization methods and procedure of the Division of Finance and such parts of other divisions and branches of the administration as were involved were studied and described. The descriptive report in draft form was submitted to heads of the several divisions for correction and discussion—all statements of fact contained in the report as now presented having been reviewed by responsible officers in so far as they relate to their respective divisions. From these statements and descriptions of fact our conclusions have been drawn. The conclusions themselves are separately stated, so that no difficulty would be experienced in distinguishing matters of fact from matters of opinion.

PERSONAL ACKNOWLEDGMENT.

The Bureau of Municipal Research is greatly indebted to the Commissioner of the Office of Indian Affairs and the heads of divisions in Washington for their helpful cooperation in the survey. Every official and employee interviewed extended to the representatives of the bureau the most cordial courtesy, for which hearty and appreciative acknowledgment is here made.

Respectfully submitted.

F. A. CLEVELAND, *Director.*

CHAPTER I.

INTRODUCTION.

Ours is not the only Government that has had to face serious problems occasioned by the fact that peoples of different races, speaking different languages, and in different stages of civilization have occupied one national territory and have been subject to a common government in which one race in its ability to command and enforce

was dominant. England in India and in Egypt is another illustration in point. But no stranger and more complex political status can be found than that of the American Indian throughout his relations with the American people.

EARLY ATTITUDE OF THE WHITES.

At first a roving, disorganized public enemy, whom it was not possible to conquer in a decisive way and to treat with as a conquered nation of power, the Indian harrassed our westward moving frontier from the days when it stretched along the Atlantic seaboard, but was only a few miles inland from the coast, until it reached beyond the Mississippi River. The hostile resistance of what by the Indian was regarded as intrusion, the atrocities that often characterized his continuous and petty raids, as well as the few organized onslaughts on our frontiersmen, and his futile resistance to the white man's occupancy of the territory over which legal sovereignty had been acquired without, in all instances, his full knowledge and without an understanding that he had relinquished his ancestral inheritance, caused the American people, down to the early decades of the nineteenth century, to care little about his fate.

CHANGE IN PUBLIC SENTIMENT.

The latter part of the nineteenth century, however, witnessed a great change in the national sentiment toward the Indian. McMaster writing in 1884, in the first volume of his *History of the People of the United States*, pictures this transition in popular sentiment when he says:

The opinion which many careful and just-minded persons of our time have formed touching the Indians, of whom the settlers in the borderland then stood in constant dread, is a singular mixture of truth and romance. Time and absence have softened all that is vile and repulsive in his character and left in full relief all that is good and alluring. We are in no danger of being tomahawked. We are not terrified by his warwhoop. An Indian in his paint and feathers is now a much rarer show than a Bengal tiger or a white bear from the Polar Sea. Of fifty millions of human beings scattered over the land, not five millions have ever in their lives looked upon an Indian. We are therefore much more disposed to pity than to hate.

THE ABSENCE OF AN INDIAN POLICY.

From the viewpoint of the Government and its agencies for dealing with the Indian, the fact which is most significant is the lack of anything worthy of the name of a policy prior to the passage by Congress of the Dawes Act in 1887. This act (providing for the allotment of lands in severalty and granting individual citizenship and therefore looking to the breaking up of all vestige of tribal relations and the gradual absorption of the Indian into the body politic of the Nation) had for its object bringing Indian institutional relations into harmony with those of his white neighbors. The colonists had, it is true, taken from the Indian his land or so much as they needed upon one pretext or another, usually under the guise of barter in which the bargaining power was very unequal, but then there was still plenty of land left for the Indian to roam over

without being compelled to change his traditional habits of gaining his livelihood. The method was to force him to move, and he was required to keep "on the move" from the earliest settlement without any purpose of place for his ultimate assimilation. Missionary enterprise followed him and found him hopeful material for the propagation of the gospel. Cromwell's Parliament in 1649 made provision for disseminating religious teaching to the Indians of New England, and Roger Williams proclaimed in 1654 the widespread conversion of the Indians of New England. The colonists also guaranteed friendly Indians certain legal rights, allotments of land in severalty to individual Indians, annuities, and education advantages which in some instances went further than similar experiments a century or two later.¹ Thus the Jamestown colonists set aside the thousand acres of land for an Indian university. The founding of William and Mary College (1691) and Harvard College in 1650 included in their purposes the education of Indian youth. Dartmouth is said to have begun as Moore's Charity School for Indians. The British Government prior to the Revolution had two superintendents of Indian affairs appointed by the crown, who determined its own policies and issued orders. The system of annuities began under the American Government as the result of a remarkable treaty made by Gen. Wayne in 1795, but this was considered more as a method of keeping the Indians quiet than as a policy of improvement. President Jefferson proposed in connection with the Louisiana Purchase that all the land west of the Mississippi, east of the Rocky Mountains, and north of the thirty-second parallel of latitude should be left to the Indians and that they should be gradually moved there. Calhoun in a report in 1825 recommended that the Indians be given a perpetual property right in a tract west of the Mississippi, and President Monroe in a special message, January 27, 1825, told Congress that the Indians ought to be "invited" to remove to the region lying "between the present States and Territories, and the Rocky Mountains and Mexico." The Indians were not disposed to move voluntarily and the Government was not ready to use compulsion or to define the limits of a permanent Indian country, though statesmen and politicians played with that idea for a half century, from John Quincy Adams's time to Grant's administration.

DEVELOPMENT OF AN INDIAN SERVICE.

The Secretary of War was made responsible for Indian affairs when the War Department was created in 1789 and they remained with the War Department until 1849 when the Department of the Interior was created and the Indian Service transferred to civil control. An Indian bureau had been established in the War Department in 1824. The office of Indian Commissioner was created in 1832 and a Department of Indian Affairs organized in 1834, at which time the appointees of the service were mostly civilians. After 1849 Congress debated for years the expediency of transferring the Indian Service back to the War Department and the authority of the Government was weakened by a constant fluctuation of responsibility between the two departments due to the lack of a well-defined

¹ See F. A. McKenzie, *the Indian in Relation to the White Population*, 1908.

policy and the difficulties of securing an honest and efficient body of public officials to deal with the vast property interests of the Indians, the exploiting whites who surrounded their reservations, the problems of supporting and educating a large number of persons under conditions of life for which they were wholly unfitted by heredity, tradition, and training.

A recent writer on Indian affairs says of the administration of the Office of Indian Affairs:¹

The Indian as an obstacle to the advance of civilization and the development of the West was turned over to the Department of War to be dealt with summarily and brought to terms. The Indian as a dependent upon the civilization which he was unable effectively to obstruct was assigned to the care of the Department of the Interior. And the Indian Service of that department without adequate authority to maintain order or even a sufficient force to make its reasonable demands respected, was then confronted with the problem of confining its charges within the limits of their respective reservations and of instructing them in the rudimentary principles of self-support and civilization.

THE BEGINNING OF RESPONSIBLE ADMINISTRATION.

These unwholesome relations could not continue indefinitely. The vast property interests involved in the administration of the trusteeship for the Indians' lands held as common property and for the large trust funds whose income or principal was to be spent for his support and education led naturally and inevitably in the absence of a definite policy and the creation by Congress of an appropriate machinery for the execution of its vascillating commands to serious maladministration of the trust. When the Board of Indian Commissioners was created (1869) many persons in Congress believed that three-fourths of all appropriations of Indian moneys went to politicians in Washington and less than one-fourth reached the Indians.² The board is an honorary body appointed by the President without reference to the Senate and is composed of 10 "men eminent for intelligence and philanthropy" to correct abuses, and in the language of a former Commissioner of Indian Affairs, Francis E. Leupp (see *The Indian Problem*, New York, 1910):

to serve as a sort of protective medium between the Indian Office and outside criticism. To this end it was accustomed to send a committee to each warehouse at the season of contract letting, who would examine the samples offered, pass judgment on the prices bid, and help the commissioner to reach satisfactory decisions in cases where he felt any uncertainty. From time to time a member of the board would go into the Indian field, inspect certain reservations and schools and report on the conditions there. As the contract supply system gradually worked out of its vicious rut and was put upon a sound footing with proper safeguards, the Board of Indian Commissioners devoted more of its attention to educational matters and its personnel came to be composed in less measure of business men and to include a larger percentage of clergymen and scholars.

The powers of the board are merely advisory, and while it has served a useful purpose in creating a wider interest in Indian affairs among bodies of more or less formally organized, philanthropically disposed private citizens, such as those who have met annually for over 30 years in the Lake Mohonk Conferences of Friends of the Indian and Other Dependent Peoples, it has accomplished little of definite value in the solution of problems of Indian administration;

¹ See E. M. Rushmore, *The Indian Policy*, etc., 1914, page 19.

² Elsie M. Rushmore, "The Indian Policy During Grant's Administration" (1914).

perhaps it has helped to weaken rather than develop what is most needed, namely, official responsibility and the establishment of a definite administrative policy.

EARLY VIEW OF RESPONSIBILITY.

The courts have held consistently that the status of the Indian as inherited from the English and Spanish who preceded the American Government in its exercise of authority over him is that of a state of tutelage. He is a ward of the state which performs the function of a guardian for his person and property. They are persons under legal disability. In *ex parte Crow Dog* (109 U. S., 556) the United States Supreme Court said:

The Sioux Indians, notwithstanding the pledge contained in their agreement that the United States would secure them in self-government, were to be subject to the laws of the United States not in the sense of citizens but, as they had always been, as wards subject to a guardian; not as individuals, constituted members of the political community of the United States with a voice in the selection of representatives and the framing of laws, but as a dependent community who were in a state of pupillage advancing from the condition of a savage tribe to that of a people who through the discipline of labor and education it was hoped might become a self-supporting and self-governing society.

CONGRESSIONAL CONTROL ESTABLISHED.

Congress has granted citizenship in "bulk" at different times to various tribes; it dealt with questions of status from the beginning until 1867 through its treaty-making power regarding the Indians in tribal relation. Suddenly and apparently without any full realization that an important change in policy was enacted it added to the Indian appropriation bill of 1872 as a rider the clause—

that hereafter no Indian nation or tribe within the territory of the United States shall be acknowledged or recognized as an independent nation, tribe, or power with whom the United States may contract by treaty.

This was the result of a stubborn fight between the House and Senate over the appropriation of money called for to carry out treaties ratified by the Senate and concerning which the House had not been consulted. Of this the Supreme Court, in *United States v. Kagaina* (118 U. S., 375), said:

After an experience of a hundred years of the treaty-making system of the Government, Congress has determined upon a new departure—to govern them by acts of Congress.

NEED FOR CONSTRUCTIVE PROGRAM SQUARELY FACED.

The undesirability of a continuation of the status of tutelage was squarely faced for the first time in the passage of the Dawes Act of 1887. This looked to the breaking up of all tribal relations and provided for the allotment of the Indians' lands in severalty. It also forecast the allotment in severalty of the Indians' funds. It was premised on a broad social philosophy, viz, that two races can not occupy the same territory with mutual advantage unless they have a common institutional adjustment. The institution of property and the institution and laws of social control must be equally applicable to both. There must be a common culture, common ideals, and common rights.

The permanent annuities had already been largely compounded under agreements and treaties into lump sums to be held in trust until they could with safety be allotted in severalty or expended upon the education of the Indian or the improvement of his lot. His weakness in ability to take care of his own interests, to resist the temptations of the vices of civilization, especially to resist the allurements of the white man's alcoholic beverages and to support himself under the industrial and agricultural economy of the white man made the problem of deciding when he ought to be given his own property to manage and the rights and duties of citizenship necessary to enable him to protect his property a very difficult question.

THE SIGNIFICANCE OF THE DAWES ACT.

The economic policy established by the Dawes Act was to begin with the allotment in severalty of his lands by granting a trust patent to individual Indians whenever the President thought the time was ripe to carve up a reservation and allot to each member of the resident tribe a certain number of acres, depending upon the character of the land. The Government was to hold the land for 25 years and then give a patent in fee in exchange for the trust patent. The trust patent, however, gave the patentee all the privileges of citizenship, but did not require of him the full responsibilities of citizenship. Subsequently this was thought to be too great freedom for the Indian's welfare.

MODIFICATION OF POLICY BY THE BURKE ACT.

The Government, when it had released its special guardianship, could no longer protect him in any different way than it could the white man. The protection given him as a citizen was inadequate. He was debauched through liquor traffic and the aggressive exploitation of unprincipled white neighbors, so the Burke Act (1906) was taken as a step backward. It was a partial return to the older status of tutelage. Under the Burke Act citizenship was postponed until the patent in fee was granted, and this was made a little easier to secure without recourse to special act of Congress at the expiration of the 25-year probationary period of individual ownership. It is thought that in the end the Burke Act will better accomplish the emancipation of the Indian which the Dawes Act contemplated, but neither recognized the fact that the Indian (except in rare individual cases) does not desire citizenship. He thinks of land only in terms of communal ownership; to him a title in fee simple is not a prize worth striving for.

TWO-SIDED CHARACTER OF THE PROBLEM.

Leaving the historic background of race differences and antagonisms, partly social, partly economic, looking to a future constructive policy which would do both social and economic justice, this policy must be one that must find expression in two ways.

1. The social adjustment must be formed through education—through the working out of new ideals which are in harmony with

the Anglo-Saxon institutional and social life—a life which, whether preferable or not, when considered abstractly, nevertheless is dominant.

2. The economic adjustment must be formed through the utilization of a Government trusteeship until the Indian, either individually or acting in some organized corporate capacity, is able to cope with his white neighbor.

Correspondingly, the administration of Indian affairs presents a twofold problem. On one side it is educational and protective; on another side it is a matter of business.

THE CARE AND EDUCATION OF THE INDIANS.

The administration of the educational side of the problem requires that those charged officially with responsibility for his guardianship in some way come to understand Indian psychology. Before any plans can be made which look toward constructive educational results the officer must consider the Indian as an Indian and not treat him and legislate for him as though he were a diluted specimen of the American pioneer white man. Educational and social progress must begin with a full recognition and appraisal of what is the Indian's mental and social equipment. Ways and means may be found for developing in him qualities which will make of him a citizen in whom the ownership and control of his own property may be safely vested. This is a man's work in itself. It requires high specialization; it involves scientific and professional considerations that in themselves make necessary the closest application.

ADMINISTRATION OF PROPERTY AND FUNDS.

On the other hand, there are great properties and funds to be administered. In so far as their use is related to the care and education of the Indian they are a part of the human side of the problem. In so far, however, as the management of properties has to do with the outside world; in so far as it involves the element of trusteeship for the thousand million dollars of resources which by right belong to the Indians; in so far as management has to do with inspection, audit, and review of the acts of custodians and purchasing agents, the business side of the Indian problem should be independently considered.

BUSINESS SIDE ALONE SUBJECT OF THIS REPORT.

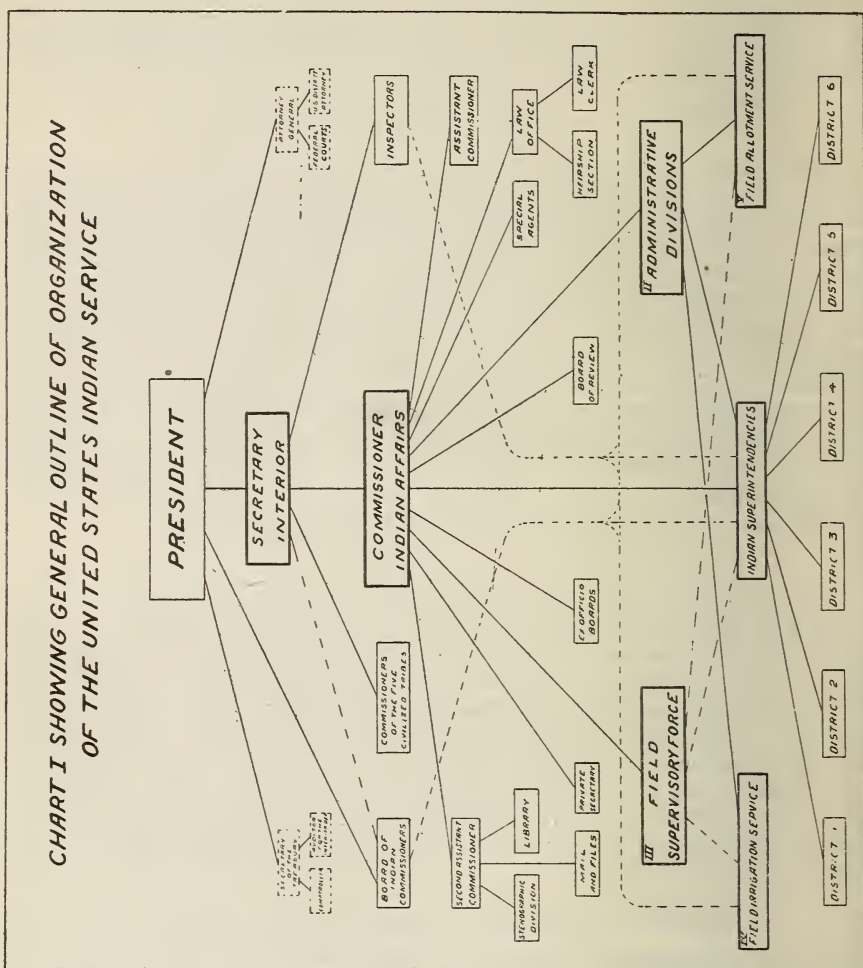
It is the business side of the administration of the Office of Indian Affairs which is the subject of this report.

CHAPTER II.

ORGANIZATION OF THE UNITED STATES INDIAN SERVICE.

As has been indicated in the introductory part of this report, the Government has undertaken to perform the functions both of guardian over the *persons* and trusteeship over the *property* of the

Indians. For dealing with the Indians in the capacity of personal guardian the Government has provided itself with an organization which is generally known as the "Indian Office." The general outline of the organization of the Indian Office is shown by Chart I. This shows that the Indian Office is a part of the Department of the Interior. It, however, is so independent in all of its activities that



it stands in much the same relation as a separate department. The details of organization are shown in "Appendix 2" of this report.

THE PRESIDENT.

The President stands in a peculiar relation to the Indian Service in that he has provided himself with an independent agency for keeping in touch with Indian affairs. This agency is known as the "Board of Indian Commissioners." Their functions are advisory

and supervisory. They are appointed by and report directly to the President.

THE SECRETARY OF THE INTERIOR.

Under the Secretary of the Interior the head of the Indian Office is known as the "Commissioner of Indian Affairs." Due to the uniqueness of the Indian problem, however, and the almost unrelated character of its work, the Secretary has provided himself with two independent agencies for keeping in touch with this work, viz:

1. A group of inspectors who are attached directly to the office of the Secretary.
2. A commissioner of the Five Civilized Tribes.

OFFICE OF COMMISSIONER OF INDIAN AFFAIRS.

The Commissioner of Indian Affairs has under him an assistant commissioner and a chief clerk who is known as second assistant commissioner. The assistant commissioner acts in the capacity of vice commissioner; that is, he may act for the commissioner in his absence or to such extent as he may be deputed. He is not, however, strictly speaking, in the direct line of administration, as all of the processes run direct to the commissioner himself. The second assistant commissioner or chief clerk has directly under him the library of the Indian Office, the stenographic section, and the Mail and Files Division. The Commissioner of Indian Affairs also has a private secretary who performs service of a special and confidential character, etc. In addition to this, there is a law office which is organized for advising the commissioner and his assistants with respect to matters referred to it, and to participate in the general routine of administration, so far as may be thought desirable. The office also has a section known as the "heirship" section; that is, it undertakes to obtain information with respect to the heirs of persons who in tribal relation have property rights to be investigated or protected. There are also a number of boards to advise the commissioner in matters of administration, one of which—a board of review—is a permanently detached organization. A number of other boards are made up of persons *ex officio* who occupy other positions in the service, as for example, the board of "estimate and apportionment."

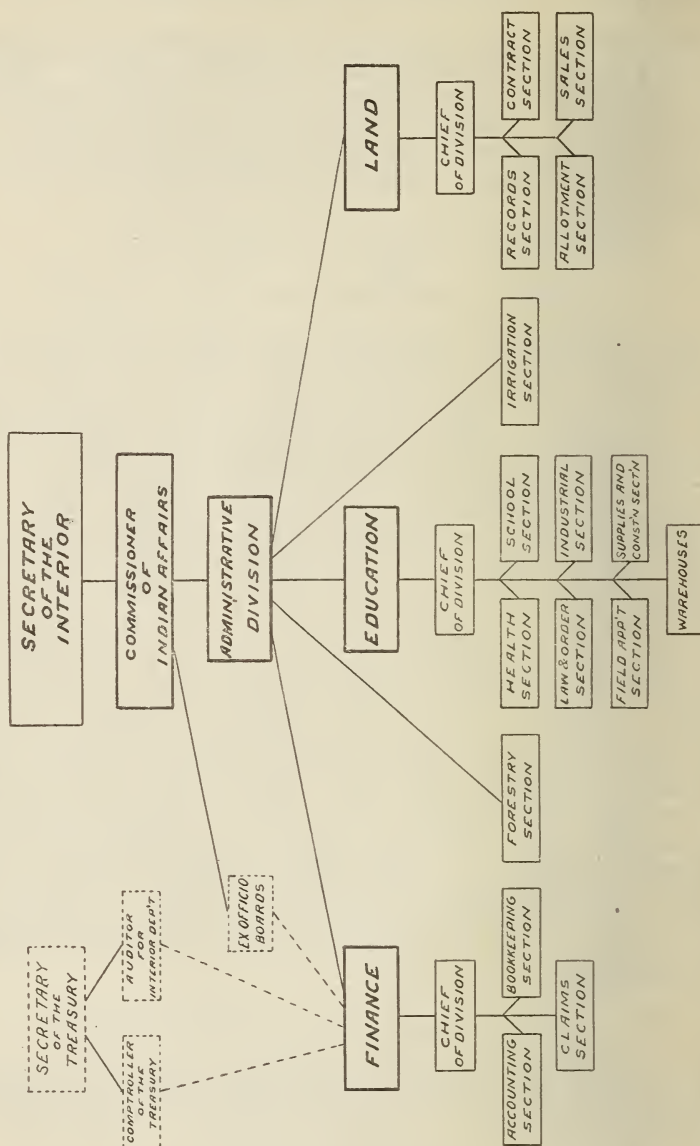
ADMINISTRATIVE DIVISIONS OF INDIAN OFFICE.

The central office administration of the field service is conducted through three administrative divisions and two independent sections, as follows:

- Education Division.
- Land Division.
- Finance Division.
- Forestry Section.
- Irrigation Section.

The various sections or branches of work conducted by each of these administrative units are shown on Chart II.

CHART II SHOWING OUTLINE OF ORGANIZATION OF THE CENTRAL ADMINISTRATION DIVISION
OF THE UNITED STATES INDIAN OFFICE



EDUCATION DIVISION.

The title "Education Division" is really a misnomer. The work of the Division of Education is to pass administratively on practically all questions not passed on by the other three, as follows:

1. The law and order section has the direction of the work having to do with the suppression of the liquor traffic, marriage, divorce, Indian dances, questions involving matters of mortality and discipline, minor charges against employees, and general administrative subjects not coming within the province of the other sections.

2. The school section has to do with the management and teaching in schools both on and off of the reservations—day schools and mission and contract schools.

3. The health section handles work conducted by eye specialists, dentists, and physicians throughout the whole Indian Service.

4. The industries section handles work that has to do with the industrial development of the properties of the Indian, farming, vocational training of adults, the control over the Indian's individual rights—that is, the individual Indian moneys—apportionment of shares of tribal funds, the construction of buildings for industrial purposes, matters having to do with trades, etc.

5. The supplies section has to do with the purchasing of supplies by contract and open-market order as well as materials for construction and the supervision of warehouses and transportation of passengers and freight.

6. The appointments section in this division handles all matters affecting the classified personnel of the field.

LAND DIVISION.

The Land Division has sent to it all questions requiring administrative action that come to the commissioner or require action by him pertaining to the lands of the Indians. This division has in it four sections, each of which is charged with duties as follows:

1. The contract section is charged with the duties having to do with the leasing of Indian lands for agricultural and other purposes.

2. Record section has to do with maintaining records of titles of Indian land, exclusive of the Five Civilized Tribes.

3. The sales section is charged with the duty of looking after sales, mortgages, patents in fee, and other conveyances relating to Indian land, exclusive of the Five Civilized Tribes.

4. The allotment section is charged with the administration and the making of allotments of Indian lands, exclusive of the Five Civilized Tribes.

5. The Five Civilized Tribes section is charged with all land matters of these tribes, except leases.

FINANCE DIVISION.

The Finance Division has the administrative examination of the accounts of disbursing agents, the keeping of funds, the examination of claims to be paid by the Treasury Department, etc. This division has in it three sections, one of which handles the accounts current; another, the claims which are settled direct; and the third is charged with keeping the books and other financial records. It is in this particular section that financial reports are compiled.

FORESTRY SECTION.

The forestry section constitutes practically an independent division. The administrative work of this section is similar to that of the

Education and Land Divisions so far as the direction of agency affairs in general is concerned; but there are duties of a specialized character in relation to the care and use of the timber resources of the Indians. Many of the problems which arise in the management of the Indian timber lands are of a technical nature and the work of the section involves a consideration of the scientific aspects of forestry in addition to the purely routine phases of office administration. This section not only passes upon all questions as to the protection, utilization, and reproduction of forest crops as presented from the various superintendencies but also directs exclusively the inspection and administration in the field by a force of men specially trained in forestry theory and practice.

IRRIGATION SECTION.

A separate section has been established in the Indian Office at Washington to keep in touch with the field-irrigation service. While this is separately conducted it has not been given the official status of an administrative division.

CENTRALIZED INSPECTION DIVISIONS.

In the Indian Office a distinction is made between what may be called the "line" organization and the "staff" organization. That which has just been described is in the nature of a "line" organization; it represents a line of administrative authority and responsibility for the work which is done in the field. Alongside of this is another organization which, in part at least, is not responsible for work done, but which is responsible for reporting on the conditions found and the acts performed by those who are in the "line" organization. This organization has several distinct parts. Directly under the Secretary of the Interior is a staff of inspectors who are relieved entirely from the routine work of administration and made free to keep in touch with what is going on in any part of the Indian Service that may be suggested. Under the Commissioner of Indian Affairs there are four branches or organizations independent of one another; namely, schools and reservations, forestry, irrigation, and liquor traffic.

The schools and reservations are under officers known as supervisor of Indian schools, supervisor of industries, medical supervisor, supervisor of construction, and special agents who make special investigations.

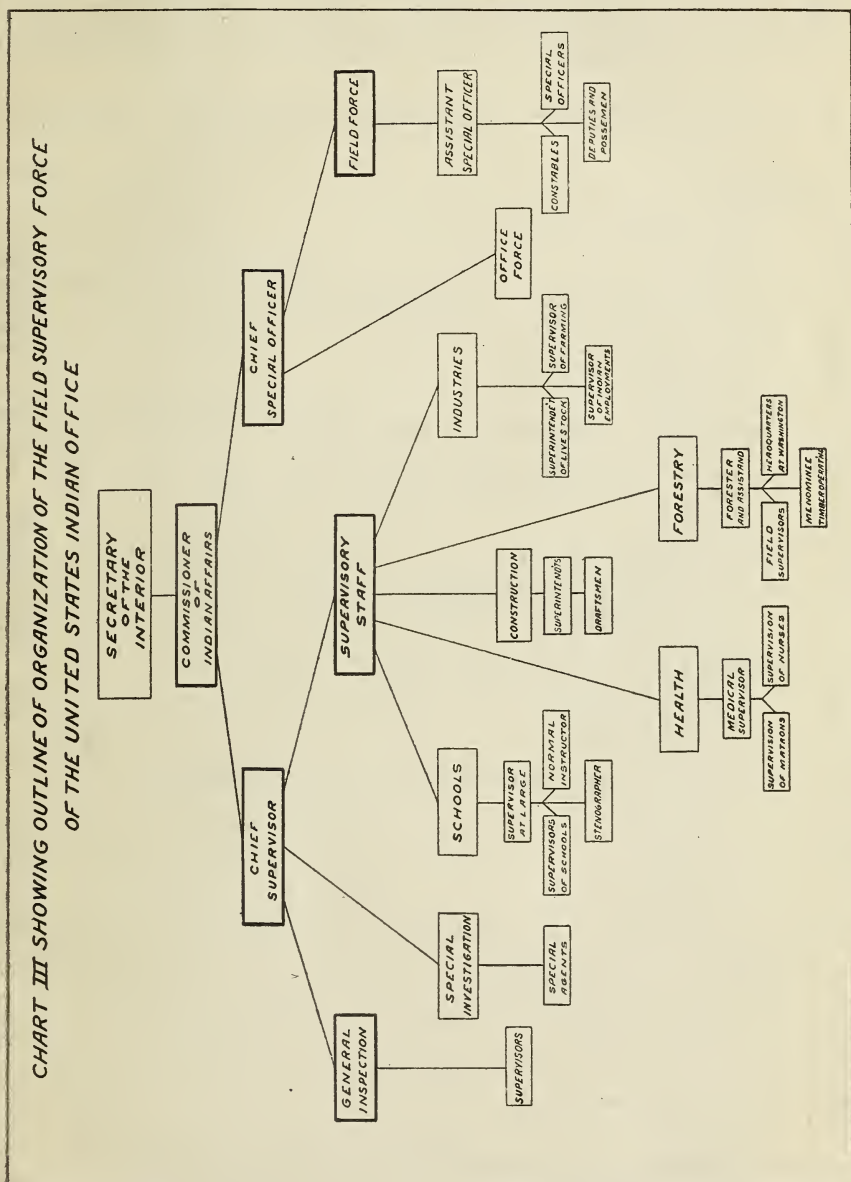
Forestry is under officers known as supervisor of forests and deputy supervisor of forests.

Irrigation is under officers known as chief inspector of irrigation, assistant inspector of irrigation, and superintendent of irrigation.

Liquor traffic is under officers known as chief special officer, assistant chief special officer, special officer, and deputy special officer. The work of this service is of a special nature and is charged with the duty of protecting and apprehending those guilty of violating both the Federal and State laws with reference to the sale of liquor to Indians and its introduction into what is termed the "Indian country."

THE FIELD ORGANIZATION.

All of the organization which has so far been described is in the nature of an overhead supervisory and inspection service. The real work for which the Indian office exists is performed in the field—that



is, on the reservation, in the schools, and other places where the Indians live and have their properties. The field organization is made up of three services, namely: Superintendencies, the field irrigation service, and the field allotment service.

INDIAN SUPERINTENDENCIES.

The unit of organization in the field for handling all of the local problems except those of allotment and a part of the irrigation project is what is known as a "superintendency." The character of the organization and activities performed under one of the larger superintendencies is illustrated by the following outline of the Rosebud Agency in South Dakota:

Outline showing organization of the Rosebud superintendency, South Dakota, July 1, 1912.

1. Superintendent	1	\$2,450
1. Agency—		
1. General administration—		
1. Chief clerk	1	1,400
2. Clerk	1	900
3. Assistant clerk	1	720
4. Lease clerk	1	1,100
5. Assistant lease clerk	1	840
6. Issue clerk	1	780
2. Health and sanitation—		
1. Physician	1	1,200
2. Physician	1	720
3. Agricultural instruction, adult Indians—		
1. Additional farmers	6	900
4. Industrial instruction, adult Indians (also work under "Care of buildings and grounds)—		
1. Carpenter	1	600
2. Blacksmith	1	720
3. Blacksmith	1	240
4. Wheelwright	1	1,000
5. Care and protection of stock—		
1. Stock detective	1	1,000
2. Stockman	1	720
6. Policing, maintaining order, etc.—		
1. Chief of police	1	420
2. Police privates	38	240
7. Care of timber—		
1. Forest guard	1	960
8. Care of buildings and grounds (see also "Industrial instruction)—		
1. Watchman	1	480
2. Laborer	1	360
3. Laborers	2	240
9. Miscellaneous—		
1. Butcher	1	480
2. Teamsters	3	360
2. Rosebud Boarding School—		
1. Principal and physician	1	1,500
1. General administration—		
1. Assistant clerk	1	840
2. Disciplinarian	1	720
2. Health and sanitation—		
1. Nurse	1	600
3. Academic instruction—		
1. Teacher	1	660
2. Teacher	1	600
4. Kindergarten instruction—		
1. Kindergartner	1	600
5. Industrial instruction—		
1. Boys—		
1. Farming, gardening, etc.—		
1. Farmer	1	600
2. Carpentering—		
1. Carpenter	1	660

1. Superintendent—Continued.		
2. Rosebud Boarding School—Continued.		
1. Principal and physician—Continued.		
5. Industrial instruction—Continued.		
1. Boys'—Continued.		
3. Heating and lighting plant—		
1. Engineer-----	1	\$900
2. Assistant engineer-----	1	600
2. Girls'—		
1. Matron-----	1	600
1. Sewing—		
1. Seamstress-----	1	500
2. Laundering—		
1. Laundress-----	1	480
3. Baking—		
1. Baker-----	1	480
4. Cooking—		
1. Cook-----	1	500
5. Housekeeping—		
1. Assistant matron-----	1	520
6. Care of buildings and grounds—		
1. Assistant-----	1	300
2. Laborers-----	3	660
3. Laborer-----	1	420
4. Laborer-----	1	300
3. Rosebud day schools—		
1. Day school inspector-----	1	1,200
1. General administration—		
1. Financial clerk-----	1	900
2. Assistant clerk-----	1	840
2. Health and sanitation—		
1. Physician-----	1	1,200
3. Industrial instruction, adult Indians (women)—		
1. Female industrial teachers-----	4	720
2. Female industrial teacher-----	1	600
4. Big White River day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
5. Bull Creek day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
6. Corn Creek day schools—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
7. Cut Meat day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
8. He Dog day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
9. Little Crow day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
10. Little White River day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
11. Lower Cut Meat day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300
12. Milk's Camp day school—		
1. Teacher-----	1	1,000
2. Assistant teacher-----	1	500
3. Housekeeper-----	1	300
13. Oak Creek day school—		
1. Teacher-----	1	720
2. Housekeeper-----	1	300

1. Superintendent—Continued.
2. Rosebud Boarding School—Continued.
 1. Principal and physician—Continued.
 5. Industrial instruction—Continued.
 3. Rosebud day schools—Continued.
 1. Day school inspector—Continued .
 14. Pine Creek day school—
 1. Teacher----- 1 \$720
 2. Housekeeper ----- 1 300
 15. Red Leaf day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 16. Ring Thunder day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 17. Agency day school—
 1. Teacher----- 1 600
 18. Spring Creek day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 19. Upper Cut Meat day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 20. Whirlwind Soldier day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 21. White Thunder day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 22. Black Pipe day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 23. Ironwood day school—
 1. Teacher----- 1 720
 2. Housekeeper ----- 1 300
 24. Repair of day school buildings—
 1. Carpenter----- 1 720

Altogether there are over 200 of these agencies. Besides, there is an organization for looking after Indians who are not within the jurisdiction of any superintendency—as, for example, a special agent in charge of the scattered bands of Indians in Utah, the commission to negotiate with the Seminole Indians in Florida, etc.

For purposes of administration, the Indian superintendencies are grouped in six districts, as follows:

District No. 1—embracing Colorado, New Mexico, Utah, Wyoming, Kansas, and all of Oklahoma except the Five Civilized Tribes.

District No. 2—embracing Arizona, California, and Nevada.

District No. 3—embracing Nebraska, North Dakota, and South Dakota.

District No. 4—embracing Idaho, Montana, Oregon, and Washington.

District No. 5—embracing Minnesota, Wisconsin, Michigan, Iowa, Pennsylvania, North Carolina, New York, and Virginia.

District No. 6—embracing the Five Civilized Tribes in Oklahoma.

The several superintendencies which are organized as district 1 are shown on Chart 6.

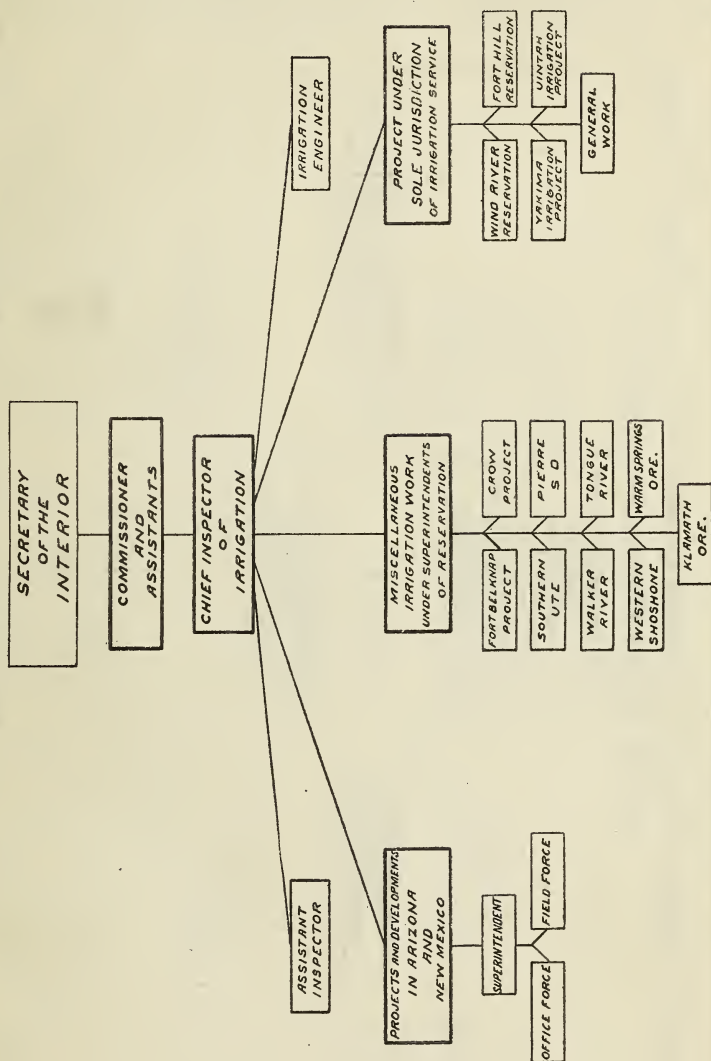
THE FIELD IRRIGATION SERVICE.

This branch is organized for the purpose of handling all irrigation matters. It has supervision of surveys, estimates, and construction of all the irrigation work in the service.

The organization consists of 1 chief inspector of irrigation, who performs the duties of a chief engineer; 1 assistant inspector of irrigation, who performs the duties of assistant chief engineer; and 7 superintendents of irrigation.

The arid region is divided into five districts, and each district is under the direct supervision and charge of a superintendent of irrigation.

CHART IV SHOWING OUTLINE OF ORGANIZATION OF THE FIELD IRRIGATION SERVICE
OF THE UNITED STATES INDIAN OFFICE

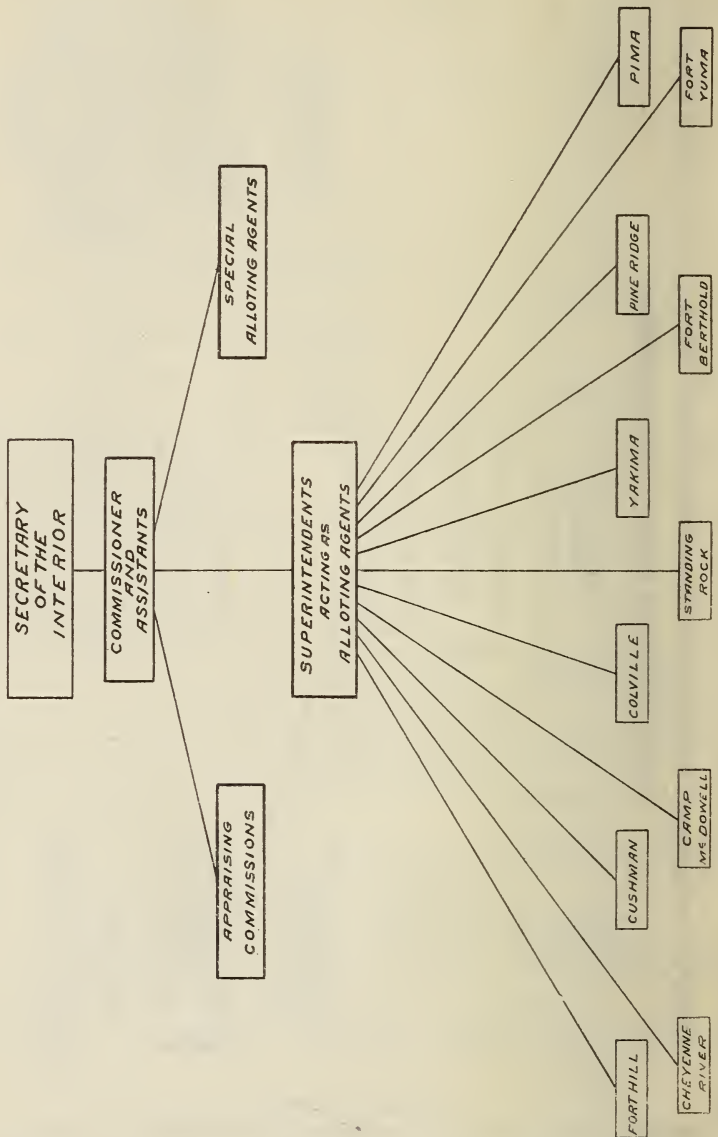


One of the other superintendents of irrigation is a skilled mechanical and electrical engineer, and has general charge of construction and operation of all mechanical and power plants.

The seventh superintendent of irrigation is a man with special knowledge of irrigation law and water rights.

Under the present plan all surveys for irrigation work are made under the supervision of the superintendent of irrigation in whose district the reservation is located. Construction is also under the same supervision, except where it is of such small extent that it is

CHART V SHOWING OUTLINE OF ORGANIZATION OF THE FIELD ALLOTMENT SERVICE
OF THE UNITED STATES INDIAN OFFICE



more economical to have it done under the supervision of the superintendent of the reservation.

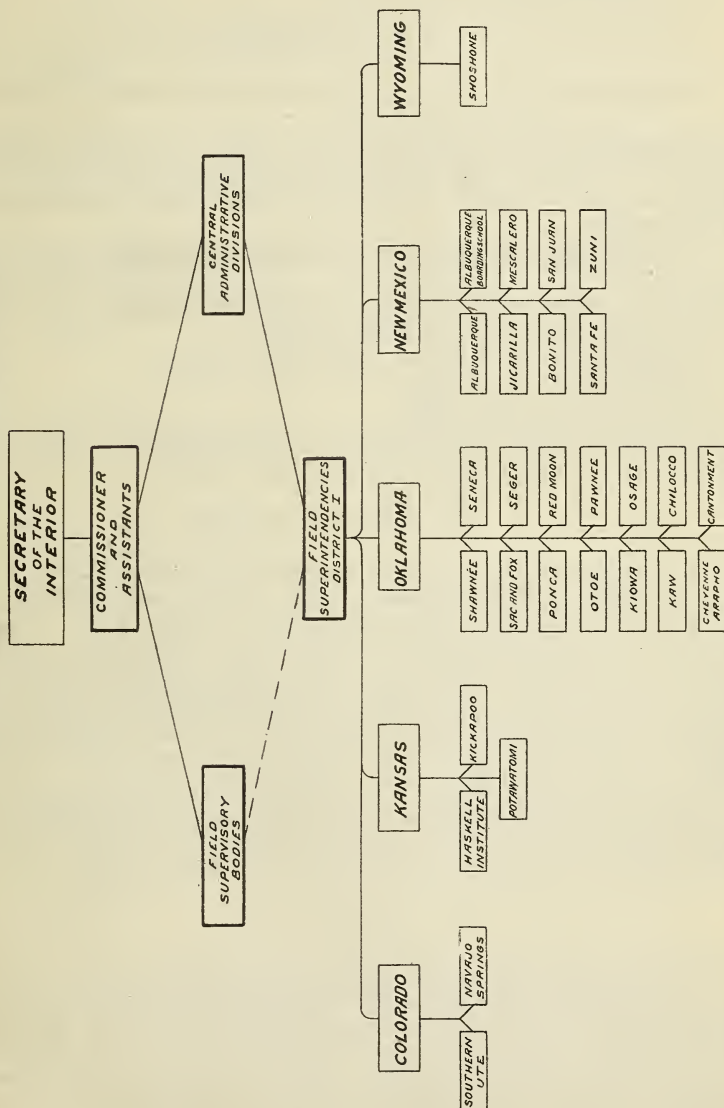
Maintenance and operation on the larger reservations are also under the supervision of the superintendent of irrigation, but on the

smaller and less important ones it is under the superintendent of the reservation.

FIELD ALLOTMENT SERVICE.

Field allotment service is composed of three classes of persons who are directly responsible to the Commissioner of Indian Affairs, namely: (1) the appraising commissioner; (2) special allotting

CHART VI SHOWING OUTLINE OF ORGANIZATION OF THE FIELD SUPERINTENDENCIES OF THE UNITED STATES INDIAN OFFICE



agents; (3) employees on reservations acting as allotting agents. The work of the allotting service is to apportion or allot tribal lands to individuals for which purpose it is necessary to have surveys made

and other work done in order to establish a basis for allotment. The allotment service falls under the Land Division in the Indian Office at Washington in which there is an allotment section. This service may also be brought independently under scrutiny of the general inspection staff, as well as the special agents under the Commissioner of Indian Affairs. The outline of the organization of the field service is shown on Chart 5.

CHAPTER III.

PREPARATION OF ANNUAL ESTIMATES FOR APPROPRIATIONS.

The methods and practices of the Office of Indian Affairs, the purpose of which is to produce information as a basis for official action, or as an account of stewardship, are described under the following heads:

1. Preparation of the annual estimates for appropriations by Congress.
2. Preparation of the annual estimates of revenues and receipts.
3. Issuing authorities to spend money.
4. Requisition for funds to disbursing officers.
5. Methods of accounting.
6. Examination and audit.

The first of these is the subject of this chapter. The other subjects are discussed in the chapters which follow.

THE PURPOSES OF ESTIMATES.

The purpose of the annual estimates for appropriations is to provide the Office of Indian Affairs with a definite schedule of needs of the different agencies and schools for a fiscal year. The means selected for doing this is to require each disbursing officer of an agency or school, in conference with other officers and employees, to formulate annually, upon blank forms furnished for this purpose, a program of subsistence and maintenance for each agency or school falling under his jurisdiction. These are forwarded to the Indian Office with the date filled in, showing in estimate form the amounts requested for use during the entire fiscal year in the office, in schools and shops, for farm work, repairs, erection of buildings, etc., as well as the amounts requested for the support of the Indians.

THE FORM USED.

The form used for advance estimates for appropriations (#5-265) is so arranged as to show in the heading the functions (or kind of work carried on by each agency reporting) and the appropriation for each appropriation item. That is, one sheet is used for each appropriation item of which expenditures for each function or activity are paid. The detail analysis of estimated expenditures on each sheet is as follows:

VERTICAL.

HORIZONTAL.

(Character of expenditures.)

(Articles to be purchased.)

Supervision of Indians:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Education:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Health:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Agriculture and stock:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Allotments:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Irrigation:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Forestry:

Current expenses.
Repairs to buildings and property.
New construction and equipment.
Other expenses.
Total.

Field matrons:

Current expenses.
New equipment.
Total.

Suppression of liquor traffic:

Current expenses.
New equipment.
Total.

Salaries and wages (present services).

Traveling expenses (transportation of persons).

Transportation of supplies.

Telegraph and telephone service.

Printing, binding, advertising, etc.

Heat, light, and power service.

Dry goods, wearing apparel, etc.

Fuel.

Forage.

Medical and surgical supplies.

Subsistence supplies.

Equipment.

Material for construction and repairs.

Rent.

Miscellaneous.

Total.

Allowed for fiscal year 1914.

Remarks by superintendent.

Amount allowed by Indian Office.

Remarks by Indian Office.

For the guidance of the disbursing officers, the following instructions are printed on the reverse side of the budget estimate sheet:

In order that an intelligent estimate may be made to Congress for appropriations for the fiscal year ending June 30, 1915, disbursing officers are required to indicate their needs for that year on these blanks, grouping all expenses payable from a given appropriation or fund on the same sheet. Be careful to designate correctly each appropriation or fund and do not include in any appropriation items which are not payable therefrom.

The column headed "Remarks by superintendent" should be used for justification, if space is sufficient; if not, prepare justification on separate sheet, numbering items on sheet to correspond with numbers used on justification.

Section 26 of the Indian appropriation act for the fiscal year 1914 provides that estimates shall be submitted in detail for each activity of the service, such as supervision of Indians, education, health, agriculture and stock, allotments, irrigation, forestry, etc.

Supervision of Indians will include all charges formerly included under agency, except those mentioned in the special classes following.

Education will include all charges for education of Indian pupils, except health items.

Health will include all charges in connection with health, such as salaries of physicians, nurses, and hospital attendants, purchase of medical and hospital supplies, construction of hospital buildings and sanatoriums.

Agriculture and stock will include salaries and expenses of farmers and stockmen, cost of equipment and supplies used by them, and live stock purchased for breeding purposes.

Allotments will include all charges in connection with allotment work.

Irrigation will include all charges in connection with construction, operation, and maintenance of irrigation works.

Forestry will include all charges in connection with the care and preservation of timber.

The act further provides that each activity be subdivided so as to show amounts for current expenses, upkeep of buildings and property, new construction and equipment, and for other expenses.

Current expenses will include all items for the ordinary conduct of a school or agency not falling within the other three classes.

Upkeep of buildings and property will include all charges for labor and material in connection with the repairs of buildings and permanent school or agency plant.

New construction and equipment will include construction of new buildings and permanent improvements, and purchase of new equipment. Equipment will include all nonexpendable property. The cost of all power-driven machinery installed in buildings and all appliances and equipment permanently attached to buildings will be included under appropriation for buildings. The cost of hand tools used in connection with building construction and repairs, such as pipe cutters, stocks and dies, carpenter tools, etc., is not chargeable to building appropriations, but will be charged to appropriate support funds.

Other expenses will include expenditures of an unusual nature, such as per capita payments to Indians, purchase of animals, agricultural implements, etc., for Indians, payable from reimbursable appropriations, and other expenditures of this general character.

In the column headed "Salaries and wages" should be included the estimated amount for all labor, regular and irregular, except labor in lieu of rations, which should be included in column headed "Miscellaneous" and item explained in justification.

In the column headed "Heat, light, and power service" charge for service only should be entered, not the cost of fuel.

In estimating for construction of new buildings, the estimated cost for labor and material for each building should be shown separately in the justification.

Estimates should be submitted in units of dollars, cents being omitted.

These estimates must be prepared in quintuplicate and returned to the Indian Office in time to be received not later than August 1, 1913, as they are required for use in making up the estimates for appropriations required by the Secretary of the Interior to be submitted to the department early in September. This does not take the place of the annual estimate blanks which are to follow.

EXAMINATION OF ESTIMATES AT CENTRAL OFFICE.

Each disbursing officer prepares as many "estimates" forms as there are appropriation accounts provided for his use. And in case there are several activities maintained from one appropriation, then he segregates the appropriation estimate in such manner as to show the amount for each activity affected. The estimates, when received in the Office of Indian Affairs from the different disbursing officers, are sorted according to appropriation accounts; that is, the estimates from all agencies for a single appropriation are brought together. Then, depending upon the nature of the estimates, they

are distributed for administrative examination among the appropriate divisions of the Office of Indian Affairs—for example, the estimates for surveying, irrigation, and the like, which are received from all agencies are referred to the Land Division. The estimates having to do with all activities of the service connected with the supervision of Indians, education, and in fact all other estimates of need not specially allotted to other divisions of the Office of Indian Affairs, are transmitted to the Education Division for administrative examination.

Invariably the estimates are reduced in these central divisions. In some instances the reduction is as great as 50 per cent. It is common practice, therefore, for disbursing officers to overestimate their needs in anticipation of a reduction.

In making adjustments in the estimates the various divisions consult the financial tables which show the expenditures of the previous year for the same appropriation accounts. Although great emphasis is laid upon personal knowledge of conditions at the different reservations, statistical data are consulted. Special inquiries are made occasionally to test the statements which accompany each item in the estimates. Frequently it seems advisable to reduce the total of the estimates of all disbursing officers applying for funds under a specific appropriation to an amount which was allowed by Congress in the previous year's appropriation bill. Such cuts are made because it seems to be a common understanding that if an appropriation of the same amount is requested little opposition will be raised. It frequently happens, therefore, that the estimate of needs is not examined as to individual items therein, but as to the total of all estimates under the same appropriation, with the idea that subsequently an adjustment satisfactory to the different disbursing officers can be effected.

APPROVAL BEFORE PRESENTATION TO CONGRESS.

Following the administrative examination the various estimates for appropriations are assembled and transmitted to the law clerk of the Indian Office for preparation in order of the items in the Indian bill. The law clerk in turn transmits the proposed bill to the commissioner for approval. Upon review the commissioner may deem it advisable to make transfers, adjustments, and changes; more frequently, however, after familiarizing himself with the estimate as submitted, he transmits it to the Secretary of the Interior. The Secretary of the Interior, after giving to the estimate as submitted to him such attention as may seem necessary, transmits it to the Secretary of the Treasury, who in turn sends it to Congress. When received by Congress the proposed bill is referred to the Committee on Indian Affairs of the House of Representatives for consideration and examination. As a matter of fact, the estimates at times are reviewed by the Committee on Indian Affairs before Congress meets, preparatory to such customary reference.

ACTION TAKEN BY COMMITTEE ON INDIAN AFFAIRS.

Upon receipt of the annual estimate the House Committee on Indian Affairs institutes hearings. At these hearings testimony is taken from commissioners, their deputies, chiefs of divisions, ex-

aminers, investigators, disbursing officers, agents, and others for the purpose of determining whether the estimate as submitted, in the opinion of Members, represents the needs as stated. From time to time the committee requests the Office of Indian Affairs to supply to it supplementary statements on different matters of a financial nature. The committee endeavors to satisfy itself as to the propriety of each proposed appropriation item.

After the hearings the congressional committee prepares an appropriation bill which materially modifies the estimates or requests for appropriations as originally presented. In some instances certain appropriations asked for are entirely wiped out, others are cut 50 per cent or more, others are left intact, others may be increased as a result of the showing made by subordinates in the office or in answer to official pressure. The House Committee on Indian Affairs reports its bill on the floor, after which it may be modified in either branch. Finally passed and signed by the President, the appropriation becomes law governing the Indian Office for the next fiscal year.

APPORTIONMENT OF ITEMS OF APPROPRIATION.

The Indian appropriation act contains many items or amounts which are for use for some particular activity or function in all agencies and schools. For example, an appropriation item may be "Pay of Indian police" or "Industrial work and care of timber," or "Pay of judges, Indian court." These items must be apportioned over the various agencies and schools, and it becomes the duty of the board of estimate and apportionment to do this work. The procedure followed by this board is to adjust, cut, and rearrange the amounts submitted by the disbursing officers in their original estimates to such figures and amounts the sum total of which will not exceed the amount of the appropriation item passed by Congress.

The original estimates of needs are the main guide of the board of estimate and apportionment, which also avails itself of information which was previously used by the different divisions of the Office of Indian Affairs in establishing the original amounts for the proposed appropriation bill to be submitted to Congress. The board again reviews the disbursing officers' "justification," statistical data contained in annual reports and similar data, financial statements of expenditures for the preceding year, and any other data at hand at that time. It is purely a matter of discretion with the board how much each disbursing officer shall be allowed or, using its language, "allotted."

Experience has shown it to be wise for the Office of Indian Affairs to retain a certain portion of each appropriation amount in the form of a reserve in order to meet unforeseen expenditures of an emergency character, or expenditures which accrue through a change of policy, inadequacy of an estimate or allotment, a change in prices, an increase in labor requirements, a violation of contract, or any other matter of a similar character which would have a tendency to increase the amount to be expended. In some instances this reserve amounts to only 2 per cent or 3 per cent of the total appropriation, while in others it may be as high as 15 per cent or 20 per cent. It would be a fair statement to say that on the average a reserve of 10 per cent is set aside.

ANNUAL CONTRACTS AGAINST APPROPRIATIONS.

Because of the amount of time consumed by the procedure outlined in the foregoing, in a great many instances it becomes necessary for the Office of Indian Affairs to let contracts for supplies, materials, and equipment before the appropriation act becomes effective. It receives bids, selects the successful bidder, draws up a contract with all qualifications and stipulations as to delivery, price, quantity, etc., with the proviso that this contract will hold good if the necessary amount is appropriated by Congress to cover the contract.

After it has taken account of all encumbrances and all special requests, bearing in mind the importance of the justification, etc., the "board of apportionment" prepares a statement of allotment, which shows the exact amount that each disbursing officer is allowed from each appropriation, against which he may make requests for the issue of "authorities" for the purchase of specific services or supplies.

NOTICES OF ALLOTMENT.

As notice of allotment the Commissioner of Indian Affairs transmits to each disbursing officer a copy of the original estimate changed to conform to his final allotments. This copy, therefore, not only serves as a notice of allotment, but also shows how much the estimate was reduced. Having performed this service, the "board of apportionment" ceases to exist for the year. When further allotments have to be made from the reserve, it is done by the officers of the Office of Indian Affairs.

CHAPTER IV.

PREPARATION OF THE ANNUAL ESTIMATES OF REVENUES AND RECEIPTS.

The nature of the item of moneys received determines its grouping under one of the following main classifications:

- (a) Income on the funds of the several Indian tribes.
- (b) Miscellaneous receipts.
- (c) Individual Indian moneys.
- (d) Special deposits.

INCOME ON FUNDS OF THE SEVERAL INDIAN TRIBES.

What is called income of the several Indian tribes consists of the accruals to amounts held in trust or due to tribes under treaty and other agreements. Part of these accruals do not pass through the accounts of disbursing agents, but are taken up directly on the books of the Treasury. Some of these may be exactly estimated and others may not. For example, a tribe has a trust fund in the Treasury which bears interest at a fixed rate per annum. In this and similar cases the annual income for the next year can be estimated exactly. If, however, the trust fund is in process of proration to members of the tribe, under the provisions of the act of March 2, 1907, or if the

trust fund is being increased by receipts from the sale of land, etc., the annual income will vary according to the deposits or withdrawals and the income can not be exactly estimated in advance.

MISCELLANEOUS RECEIPTS.

All items of revenue which come into the hands of disbursing officers from miscellaneous sources are classed as miscellaneous receipts. In accordance with the act of July 1, 1898, each Indian agent must account for all funds coming into his hands as custodian from any source whatever and be responsible therefor under his bond. In an order issued by the Commissioner of Indian Affairs and approved by the Secretary of the Interior on June 14, 1910, disbursing agents are instructed to report all miscellaneous receipts in accordance with a definite classification. This classification, as modified by order of November 20, 1913, is made up of Classes I to V, inclusive, as follows:

Class I.—Into Class I fall all net receipts which must be sent to the Treasury and which are not available for expenditure by the disbursing officer. What is meant by "net" receipts is the total amount received less the necessary expenses and sales which are authorized to be paid from these receipts. **The eight sources of these receipts are:**

1. Sale or rent of buildings erected from gratuity appropriations.
2. Sale of any property purchased from gratuity appropriations.
3. Sale of any property purchased from appropriations or funds which can not now be ascertained.
4. Sales of hides from stock purchased from gratuity appropriations for breeding or dairy purposes or for subsistence of pupils.
5. Transportation charges added to price of subsistence supplies sold.
6. Rent of water from agency or school, water or irrigation system.
7. Payment by transportation companies for goods lost in transit which were purchased from gratuity appropriations.
8. Fees collected for heirship hearings under the act of June 30, 1913 (38 Stat. L., 80).

Class II.—Into Class II fall all net receipts in the nature of reimbursement of appropriations which are available for reexpenditure for the purposes of the original appropriation. To arrive at the net amount to be so credited the necessary expense of sales, if authorized, may be paid from the total received. **The eight sources of these receipts are:**

1. Sale of buildings erected from tribal funds.
2. Sale of any property purchased from tribal funds.
3. Sale of hides from stock purchased from tribal funds.
4. Sale of hides from stock purchased from gratuity appropriations for subsistence of Indians other than pupils.
5. Refunds of overpayments from any appropriations.
6. Payments by transportation companies for goods lost in transit which were purchased from tribal funds.
7. Tuition fees paid for white children enrolled in Indian schools under the acts of March 1, 1907 (34 Stat. L., 1018), and March 3, 1909 (35 Stat. L., 783).

8. Amounts received in payment for implements, stock, etc., sold to Indians under reimbursable agreements.

Class III.—Into Class III fall all amounts received under the provisions of the act approved March 3, 1887, and which are accounted for as proceeds of labor of the Indians outside of schools, and used for the benefit of one or another of the several tribes. This is in the nature of a discretionary fund. The Secretary of the Interior is authorized to use this money in such manner and for such purposes as in his judgment seem best. He is required to submit to Congress annually a detailed report of moneys received and the uses to which they were put. The necessary expenditures for labor, sale, collection, etc., may be paid from these receipts. There also exists a general authority which confers on all disbursing agents the right to sell the products of tribal lands. These are shown below as items 3, 4, and 5 in this class. The eleven sources of these receipts are:

1. Sale of timber cut from tribal lands.
2. Sale of town lots and other tribal lands under special acts of Congress.
3. Sale of lumber manufactured at agency mills from timber cut on tribal lands except at the Menomonee Mills.
4. Sale of any other products of tribal lands which are not the result of labor of individual Indians.
5. Sale of any property purchased from Class III funds or "Indian moneys, proceeds of labor" belonging to Indians.
6. Rent of buildings erected from tribal funds.
7. Leasing of tribal lands.
8. Grazing on tribal lands.
9. Trespass on tribal lands.
10. Rights of way on tribal lands.
11. Royalties on coal, oil, gas, and asphalt from tribal lands.

Class IV.—Into Class IV fall all receipts such as the proceeds of the sales of products of schools and all other amounts obtained otherwise than by appropriation, which are to be expended for the benefit of such agency or school where the things sold are produced. There exists a general authority which confers on disbursing officers the right to sell the products of the agencies and schools enumerated under this class at such time and in such manner as they may think best. They are permitted to make expenditures from these receipts before they are deposited in the Treasury for any legitimate purpose which will benefit the agency or school producing these receipts. After the receipts have been deposited in the Treasury, they are carried on the books of the Indian Office under the caption "Indian moneys, proceeds of labor—agency" or "Indian moneys, proceeds of labor—schools," depending upon the source. This distinguishes them from the moneys received in Class III, which are designated as "Indian moneys, proceeds of labor—Indians." There is one restriction which causes a division of the account indicated, viz, that receipts from "agencies" can not be used for "school" purposes, and receipts from "schools" can not be used for "agency" purposes. All articles purchased with these moneys are regarded as Government property and must be accounted for as such. The 10 sources of these receipts are:

1. Sale of property purchased from Class IV funds or "Indian money, proceeds of labor," belonging to agencies.

2. Sale of property purchased from Class IV funds or "Indian moneys, proceeds of labor," belonging to schools.

3. Sale of agency products.

4. Sale of school products other than those mentioned in paragraph 10.

5. Sale of hides from stock produced at agencies.

6. Sale of hides from stock produced at schools.

7. Pasturage on agency lands.

8. Pasturage on school lands.

9. Fines imposed by courts of Indian offenses.

10. School entertainments, band concerts, athletic contests, sale of curios or of fancy articles manufactured by pupils, subscriptions to school journals or advertising therein, job printing, or any other like enterprise.

Class V.—Into Class V fall all receipts which are collected in fees to pay for advertising the sale of Indian allotments. When the receipts are deposited in the Treasury they are carried on the books of the Office of Indian Affairs under the caption of "Indian moneys, proceeds of labor—advertising." These receipts may be expended by disbursing officers for purposes for which they are collected, but for no other purpose, and they need not be deposited in the Treasury except as specially provided. The designation of these receipts on the report is, "Fees collected to pay for advertising the sale of Indian allotments."

INDIVIDUAL INDIAN MONEYS.

In addition to the miscellaneous receipts just enumerated under the five different classes, the disbursing agents collect moneys known as "individual Indian moneys." These represent funds, regardless of their derivation, which belong to individual Indians, that come into the custody of the disbursing officers. The eight sources of these receipts are:

1. Sale of Indian allotments.

2. Sale of timber cut on Indian allotments.

3. Rental of Indian allotments for agricultural purposes.

4. Rental of Indian allotments for mining purposes.

5. Royalties on minerals from Indian allotments.

6. Earnings of school pupils or money received from any source for delivery to them.

7. Miscellaneous individual Indian moneys.

8. Interest on bank accounts.

SPECIAL DEPOSITS.

Still another group of receipts which fall within the hands of disbursing officers is designated as "special deposits." These special deposits are moneys received as guaranty of good faith in proposed transactions between third persons and individual Indians. They represent deposits accompanying bids for the purchase of allotments of land, deposits to insure payment of damages in consequence of rights of way across allotments, etc. The five sources of these receipts are:

1. Deposits with bids for lands belonging to individual Indians.
2. Deposits with bids for timber, etc., from lands belonging to individual Indians.
3. Guaranty deposits for right-of-way damages (individual Indian).
4. Guaranty deposits for right-of-way damages (tribal).
5. Deposits with bids for timber or other products of tribal lands.

CHAPTER V.

ISSUING AUTHORITIES TO SPEND MONEY.

In the Indian Service three official acts are necessary to authorize an expenditure—

1. An appropriation must be made.
2. The appropriation must be allotted.
3. The agent must obtain specific authority to expend.

The methods incident to making the annual appropriations and the allotments have already been described. It remains to describe the issuing of authorities to agents to expend the amounts which have been appropriated and allotted.

DEFINITION AND USE OF AUTHORITIES.

An "appropriation" is an authorization by Congress to the Secretary of the Interior to expend an amount for a designated function or purpose. An "allotment" is an authority by the Secretary of the Interior or Commissioner of Indian Affairs to spend a certain amount of each appropriation at a particular agency for the designated purpose. An "authority" is a grant given by a superior officer to a particular Indian agent, to expend money from a specific allotment.

Authorities serve the purpose of providing a means whereby the Office of Indian Affairs may be kept currently informed of purchases and expenditures made, or to be made, in the field or through issue from warehouses. They are purely administrative in their significance. All authorities group themselves into one of three classes:

Authorities A.

Authorities B.

Authorities C.

Authorities "A" and "B" cover grants to disbursing officers to expend money or ratify expenditures already made pursuant to general orders. Authorities "C" cover purchases to be made through the Office of Indian Affairs, warehouses, or upon open market order, payment for which is to be made by claim through the Office of Indian Affairs. Disbursing officers may not expend money under authorities "C."

REQUESTS FOR AUTHORITIES BY DISBURSING OFFICERS.

Authorities "A" are issued on request of a disbursing officer for authority to expend money from funds "allotted" to the agency or school under his jurisdiction.

Authorities "B" are issued on request of a disbursing officer for approval of expenditures already made from funds "allotted" to the agency or school under his jurisdiction. The expenditures thus to be ratified are made to meet emergencies. No "authorities" are required for expenditures of "receipts" which are not "allotted."

FORM OF REQUEST FOR AUTHORITY.

When a disbursing officer wishes to expend money for a purpose which falls within those for which the various appropriation amounts allotted to him can be used he prepares a "request" on a form provided for that purpose. It is drawn in duplicate, and the original is forwarded to the division of finance of the Office of Indian Affairs.

It is printed on a sheet 8 by 10½ inches, with heading printed as follows:

DEPARTMENT OF THE INTERIOR,
UNITED STATES INDIAN SERVICE,

_____, 191—.

THE COMMISSIONER OF INDIAN AFFAIRS,

Washington, D. C.

SIR: Authority is respectfully requested to expend, during the fiscal year 191—, the sum of \$_____ from the appropriation.

			Do not write in this space.
(1) -----	\$-----		\$-----
(2) -----	\$-----		\$-----
(3) -----	\$-----		\$-----
(4) -----	\$-----		\$-----

for the following:

Beneath this heading the following columns are provided:

Object.
Unit price.
Amount.

At the lower left corner of the form provision is made for the entry of the date and amount of the authority. At the lower right corner provision is made for the disbursing officer's signature. If a form is not available the disbursing officer's request may be made by letter, or by wire if quick action is important. The request, letter, or wire is received by the mails and files division, with the various necessary "transfer slips" attached, which indicate the routing of the documents. When it is so prepared, it is transferred to the finance division for the attention of the clerk in charge of issuing authorities.

EXAMINATION OF REQUESTS FOR AUTHORITIES.

The three forms—"the request for authority," the "designation of fund memorandum," and the "transfer slip" are referred to the bookkeeper, who has charge of the account in question. He examines the request and designates the fund against which, in his judgment, the proposed expenditure should be charged, if approved. If the fund has been already designated on the request for authority by

the disbursing officer, he signifies his approval by marking on the "designation of fund memorandum" "O. K." The bookkeeper returns the request form to the chief clerk in charge, who examines the designation of fund on the memorandum and, if he agrees, initials it and transfers the request and the other papers attached thereto to the education division for administrative action. From information at hand, either in the files or through personal knowledge, this division is presumed to be in a position to pass upon the need for the expenditure requested. As a result, its approval or disapproval, or even modification, constitutes ground sufficient for further steps in the preparation of the authority by the finance division. In some instances, where these authorities involve large sums of money and cover especially important matters, at this stage other divisions are consulted, or the matter may even be referred to the commissioner. In most instances, however, requests are passed upon by the education division, without reference to other divisions, and come to the notice of the commissioner only after the regular procedure has been complied with. The education division returns all papers connected with the case, with its approval or disapproval, to the finance division.

PREPARATION OF AUTHORITIES.

The chief clerk in charge of authorities examines the request and its approval by the education division, and, if he notes no flaws therein, refers the matter to the clerk, who prepares, in triplicate, authority "A" or authority "B" from the approved requisition. This form consists of a sheet 8 by 10½. At the top of the form the following heading appears:

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington, D. C.

AUTHORITY.

Authority is hereby granted for you to expend, during the fiscal year 191—, the sum of \$—— from the appropriation.

(1)-----	\$-----	\$-----
(2)-----	\$-----	\$-----
(3)-----	\$-----	\$-----
(4)-----	\$-----	\$-----

for the following:

Beneath this heading special columns are provided for the particulars as follows:

Object.
Unit price.
Amount.

Beneath these columns, in the lower right corner, provision is made for the initials of the employee handling the forms for the entry of the amount and also for the signature of the acting commissioner.

At the bottom of this form, in the left corner, appear blank lines as follows:

To:

(Title of name.)

(School.)

(Post office.)

In a number of instances the authority form has been typed in its required detail by the disbursing officer in the field and has been transmitted to the finance division at the time when the request for an authority was made. When this is the case, the chief of the section in charge of authorities does not refer the requisition to the clerk, but verifies the correctness of the statement and transmits all papers to the bookkeeper in charge of the "liability ledger," as is done regularly with all other authorities after they have been handled according to the procedure described in the foregoing.

RECORDING OF AUTHORITIES.

Upon receipt of authorities, the bookkeeper in charge of the "liability ledger" makes an entry in different columns, depending upon the nature of the authority. If it is to cover an annual estimate for supplies which have been acted on prior to allotment, it is entered in the column under the heading "annual contract charges;" if it is to be charged against the original apportionment, it is entered in the column under the heading "charges—regular apportionment." After such entry the ledger clerk places his initials in a space provided on the authority in the lower right corner and returns all papers to the clerk in charge of issuing authorities. That clerk then initials the authority, after he has determined that it is properly awarded and has again checked the appropriation against which it is issued.

FINAL APPROVAL OF AUTHORITIES.

If the authority embraces the expenditure of more than \$500, it is stamped with a certificate to be signed by the assistant secretary. If it is for an amount of \$500 or less, it is stamped with a certificate to be signed by the Acting Commissioner of Indian Affairs. The papers are then ready for transmittal and further approval.

The Chief of the Finance Division next examines them and initials them if he finds everything to be correct. Frequently it occurs at this point that the Chief of the Finance Division does not agree with the designation of fund. In case he makes a change and the authority has again to pass through the procedure of registration, preparation, etc., a change has to be made on the liability ledger, an appropriate entry is made under the appropriation account which the Chief of the Finance Division designates. If the authority is to be signed by the Assistant Secretary, it is then transmitted to the commissioner, who initials it and transmits it to the Assistant Secretary.

FINAL DISPOSITION OF PAPERS.

After proper approval has been obtained the first and third copies of the authority are sent to the disbursing officer along with inclosures and tags attached by the Mails and Files Division. The second copy of the authority is returned to the chief clerk of the Finance Division in charge of authorities, who instructs a clerk to prepare a file record from it. It is then used to check entries made against the various appropriation accounts and to note whether the authority has been properly approved and has passed all stages of the procedure. The request for authority is transmitted to the Mails and Files Division, where it remains. The second copy of the authority is placed in the files of the Finance Division.

RECORD OF AMOUNTS EXPENDED KEPT ON EACH AUTHORITY.

If it be an "A" authority, the copy is attached to a sheet 8 by 10½ inches. At the top of this sheet the following form is printed:

Examiner: _____, 1 Qr.; _____, 2 Qr.; _____, 3 Qr.; _____, 4 Qr.
 Authority No. _____, dated _____, 19__; \$_____.

(Original filed with voucher No. _____, _____ quarter, 18__.)

In _____ sheets—Sheet No. _____; \$_____

For AGENCY—SCHOOL—POLICE—FIELD—MATRON, _____
 (Draw pen through those which do not apply.)

Appropriation: _____

Beneath this head appear eight columnar ruled spaces headed "TO BE EXPENDED FOR." In these spaces are to be entered the various authorities, modifications, etc., of these authorities, under that specific appropriation. Beneath this column ruled off with a double line, are columnar rulings with the following headings:

Qr.
 Vo.
 Items.
 Amount.

This space is provided for the purpose of recording expenditures which were made under these authorities by disbursing officers. These entries are made upon receipt of the quarterly accounts in the account section of the Finance Division.

RECORD OF "B" AUTHORITIES.

Since "B" authorities are issued to ratify expenditures already made because of their emergency character, the copy of a "B" authority is attached to a form headed "AUTHORITIES EXPENDED." This form is 8 by 10½ inches in dimension, and at the top of the form the following is to be found:

AUTHORITIES EXPENDED

At _____

Columnar rulings provide for the following headings:

Authority No.
Date.
Amount.
Voucher.
Quarter.
Examiner.

This constitutes a record for the Finance Division when it is necessary to refer to authorities granted and passed.

DELAYS AND LOST PAPERS.

It frequently happens that there are delays in the course of approval. These delays may be prompted by many causes, as a desire to get additional information on the request, or a difference of opinion as to the advisability of performing the work in the manner specified in the authority. In such instances the authority may remain unapproved for a considerable length of time, and it frequently happens that the second copy of the authority does not reach the Finance Division. This sometimes happens with authorities that have not been approved, as well as with those that have received approval. As a result, the Finance Division is unable to check its entries and prepare its file. When the authority goes astray the file record is prepared from the memorandum entries in the liability ledger. When the authority has not been granted and the second copy is lost in the path of procedure, the liability ledgers remain encumbered with the authority, supposedly granted, and not until an error of some kind directs the bookkeeper's attention to this specific account will the incorrectness of the entry be made known.

WAREHOUSE EXPENDITURES.

Requests for "C" authorities from disbursing officers are received by the Finance Division. These requests cover purchases to be made in open market by disbursing officers or by the superintendents of warehouses for Indian supplies. Upon receipt of this request in the Finance Division it is examined as to the amount available. If the amount asked is available, the authority to "purchase in open market" or "order under contract" as the case may be, is made up in duplicate. The original is forwarded to the superintendent of the warehouse for Indian supplies at the city where the warehouse is located. The duplicate is retained in the office of the Finance Division and entered in the proper columns of the liability ledger, as is done with other authorities.

A "C" authority is printed on a sheet 8 by 10½ inches, and reads as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
Washington.

The SUPERINTENDENT WAREHOUSE FOR INDIAN SUPPLIES, _____.

SIR: You are requested to order under contract or purchase in open market and send immediately to the superintendent of the _____ School, for the use of _____, the following:

Beneath this heading space is provided for the description of articles and amount. At the bottom of the above particulars appears the following:

The total cost of the foregoing is estimated to be \$——, not exceeding which sum will be paid through the Indian Office from the appropriation ——; for quotations see your letter of ——, 191—. ——.

At the bottom of this form provision is made for the signature of the second assistant commissioner.

The copy is retained in the files of the Finance Division, with the original request. The superintendent of the warehouse for Indian supplies, upon receipt of authority, makes the purchases in open market and ships to the superintendent.

CHAPTER VI.

REQUISITIONS FOR FUNDS BY DISBURSING OFFICERS.

The regulations of the Indian Office require that public funds of all classes, no matter from what sources they are received, must be immediately taken up in the disbursing officers' accounts. No expenditures whatsoever may be made therefrom except under an authority from the office. Emergency expenditures are exceptions to the above.

REQUISITIONS FOR EXPENDITURES OF PUBLIC FUNDS.

The fact that a disbursing officer has had allotted to him a certain amount of money for use under a given appropriation does not entitle him to make expenditures therefrom. Before so doing he must obtain through channels of due procedure an authority for the expenditure of funds and obtain a transfer of funds from the General Treasury fund to his official credit for this purpose. The requisition which the disbursing officer makes for funds to be placed to his credit for expenditure is made by him either by letter, on a special form, telegram, or verbally. In all instances the request serves simply as a means of bringing to the attention of the home office that the disbursing officer requires funds. The requests are received by the Mails and Files Division and after due and proper transfer slips have been attached and other routine procedure complied with, the requests for funds reach the Finance Division, where they are referred to a clerk in charge of this work.

VERIFICATION AND CHECKING OF REQUESTS.

It becomes the duty of the clerk in charge of preparation of requests for the transfer of funds to carefully examine and verify the request. Under the regulations of the Office of Indian Affairs the clerk is not permitted to make a cash advance in excess of the disbursing officer's bond. He further is obliged to ascertain the cash balance on hand at the time of the last accounting made by the disbursing officer. This he obtains from a card record maintained for this purpose. He is guided mainly by these two restrictions. Fur-

ther, he takes into consideration the condition of the appropriation as it stands on the date when the request for funds is made. He consults the liability ledger and, if possible, tries to ascertain whether an authority was specifically granted for the purpose for which funds are requested. If no specific authority has been granted he takes into account authorities granted under this specific appropriation and compares the total of these authorities with the amount allotted the officer making the request under this appropriation.

In instances where the liability ledger shows a small available balance the clerk establishes the further fact of refunds. Refunds are occasionally not recorded in the liability ledger, and the clerk, therefore, consults the appropriation ledger, in which a very careful record is made of refunds. If the appropriation ledger shows that sufficient money is on hand under this appropriation to grant the disbursing officer the advance requested, he O. K's the request, but in no instance is he supposed to approve a request in excess of the amount apportioned the disbursing officer under the appropriation.

It is quite often impossible for the clerk to ascertain the exact authority against which a cash advance is to be made unless he scrutinizes each authority and the purposes for which it is issued. If there is something which arouses the suspicion of the clerk, still he would be justified in passing a request, provided the cash already advanced on previous dates did not exceed the total of authorities granted.

PROCEDURE PRIOR TO THE SIGNING OF THE WARRANT.

After the examination has been made the clerk hands all forms and memoranda to a typist, who prepares one yellow copy and three white copies. After typing, the copies are returned to the clerk, who checks their accuracy. From the yellow copy an entry is made in the liability ledger under the proper appropriation account into the column "warrants issued," although actually the warrant will not be issued for at least six days, which is the time required to complete the procedure of issuing warrants. Entry having been made in the liability ledger from the yellow copy, it is transmitted to the disbursing officer and serves as his notice that a request for funds has been instituted and is in process of preparation. The third copy of the white form remains in the office as an office record and is referred to by examiners of accounts when they make their audit. The first and second copies of the white form are transmitted first to the Chief of the Finance Division for purposes of examination and initialing. From there they are referred to the acting commissioner for examination and signature, who in turn refers both copies to the chief disbursing officer. The chief disbursing officer retains the second copy, initials the first, and transmits it to the Assistant Secretary for signature.

The first copy is referred back to the chief disbursing officer who transmits it to the Auditor for the Interior Department for approval. After the auditor has made his examination, he transmits the request to the clerk of the Division of Bookkeeping and Warrants, where a warrant is prepared and three copies of a transcript of details of the requisition are made on loose-leaf ledger sheets. The requisition is

attached to the warrant and the three transcripts. The requisition with the attached papers is then transmitted to the chief of the Division of Bookkeeping and Warrants who inspects and examines all papers. After the prescribed procedure in the Treasury Department has been complied with the warrant is signed and notice is sent to the requisition clerk of the Indian Office that funds have been placed to the credit of the disbursing officer making the request.

TREATMENT OF ERRORS DISCLOSED.

If an error is discovered at any point in the procedure before the request reaches the Secretary of the Interior, the requisition is returned to the Finance Division of the Office of Indian Affairs and changes are made either in the fund account or in the requisition, but if a flaw is discovered either by the auditor or any other official after the Secretary of the Interior has signed and approved the requisition, the amount of the requisition remains fixed. Thereafter no one has the authority to change the total of the requisition. If, for example, it is found that one of the appropriations does not have sufficient funds to cover the amount requested, due to a discrepancy between the Treasury records and those of the Indian Office, it becomes necessary to return the requisition and effect a transfer between two appropriations in such manner that the total of the requisition is not changed. In all instances where such a change or one similar is effected, the requisition clerk is required to make a change in the liability ledgers and notify the chief disbursing officer of the adjustment. If there is a flaw which is discovered subsequent to the Secretary of the Interior's signature which can not be rectified because no other appropriations are applicable, the requisition must be canceled by following the same course it originally had to take, only in reverse order.

CHAPTER VII.

GENERAL DESCRIPTION OF THE PRINCIPAL RECORDS OF ACCOUNTS KEPT IN THE INDIAN OFFICE.

The principal records of account kept in the Indian Office by means of which information is currently produced are the following:

1. Appropriation and fund ledgers (Treasury accounts).
2. Appropriation and allotment ledger (apportionment ledger).
3. Allotment and encumbrance ledgers (liability ledger).
4. Cost ledgers.

The character of information produced by each is discussed below.

APPROPRIATION AND FUND LEDGERS.

The appropriation and fund ledgers serve the purpose of recording each item appropriated by Congress and each trust fund as a separate account. Against each account are charged the advances of cash from the Treasury for use of disbursing officers and other representatives of the Office of Indian Affairs. The entries in the appropriation ledgers are of cash transactions. They do not show

encumbrances—they only provide a record of cash received and advanced by the Treasury, including transfers between appropriation accounts and such refunds as the disbursing officers have returned to the Treasury Department—largely made up of amounts of authorities not required for the purchase of a given supply or service, and amounts not used because the materials and supplies authorized were not bought. The accounts in the appropriation and fund ledgers are, with a few minor exceptions, an exact transcript of those of the Treasury. They divide themselves into six groups:

- (a) Trust-fund ledgers.
- (b) Support ledgers.
- (c) School ledgers.
- (d) Miscellaneous ledgers.
- (e) Indian moneys ledgers.
- (f) Treaty ledgers.

TRUST-FUND LEDGERS.

The trust-fund accounts are contained in ledgers kept in the Finance Division in a loose-leaf form and cover Indian trust funds of all tribes, a page or more being used for each tribe. The form consists of a sheet $18\frac{1}{2}$ by 16 inches, printed broadside. In the upper right corner of the sheet provision is made for the entry of the appropriation number and the sheet number. Below these the title of the fund is entered.

Beneath this heading the page is divided vertically into two divisions—the left for debits, the right for credits. In the left division the following columns are provided:

Date.
Items.
Number.
Principal.
Interest.

The entries made on the debit side are derived from “requisitions of disbursing officers, claims, and transfer warrants.”

The right division is provided with columns as follows:

Date.
Items.
Number.
Principal.
Interest.

The entries in these columns are derived from “warrants” issued by the Treasury, based on treaties and agreements with Indians for the cession of their lands, sales of timber, etc., and interest on the trust fund; also from transfers and from Treasury statements of refunds by disbursing officers of unexpended balances. If an unexpended balance remains at the end of the fiscal year it is carried forward to the account for the ensuing year. It is said that the accounts in this ledger are also balanced with the Treasury ledgers quarterly. Reports are rendered to the commissioner from this ledger when called for.

SUPPORT, SCHOOL, AND MISCELLANEOUS LEDGERS.

These accounts are contained in ledgers kept in the Finance Division in a loose-leaf form, a separate sheet being provided for each fund. Specific appropriations are made for the construction of

buildings, lighting plants, irrigation systems, sewerage systems, etc. By the decision of the comptroller such appropriations are treated as continuous appropriations—i. e., available for expenditure until the object specified has been achieved—a time limit of three years being placed on them for this purpose. That is to say, when it is not possible for the Commissioner of Indian Affairs to get bids and execute a contract during the fiscal year for which these appropriations are made, the authority under which the moneys are expended is continued for three years.

The appropriations for the "support of Indians" are gratuities. They are for the support of certain Indian tribes and the maintenance of agencies where there are no tribal funds available for the purpose. These appropriations are annual and, therefore, limited to expenditure during the fiscal year for which they are made.

Miscellaneous appropriations include appropriations by Congress for survey, allotment, and classification of lands (practically all of which are reimbursable), judgments of the Court of Claims, for the construction of bridges, agency buildings, and for sundry miscellaneous purposes, exclusive of the appropriations heretofore described.

The form used for the ledgers mentioned above consists of a sheet 18½ by 16 inches in dimension, printed upright. The particulars provided for in the form are the same as those enumerated under "Trust fund ledgers" above, and with the exception that three columns are provided to show the balance of the appropriations for each year to be covered by disbursements for the same year, and no interest column is provided, as these funds are noninterest bearing. The method of making the entries is the same as described in "Trust fund ledgers." Reports based on these ledgers are rendered to the commissioner when called for.

INDIAN MONEYS LEDGERS.

Indian moneys accounts are kept in separate ledgers of the Finance Division in a bound book, in which there is a page for each agency or school.

TREATY LEDGERS.

Treaty accounts are kept in separate ledgers in the Finance Division in loose-leaf form, a page being provided for each fund. This form is used in the following ledgers: "Fulfilling treaties with Indians," "Indian moneys, proceeds of labor," and "Miscellaneous appropriations."

Treaty appropriations are made for the purpose of carrying out agreements with the Indians for the cession of land, etc. Some of these appropriations are also derived from receipts from sales of lands under treaty provisions.

The appropriation, "Indian moneys, proceeds of labor," is money collected by disbursing officers for grazing leases, rights of way, and sales of farm products. This money belongs to certain tribes, and it is turned into the Treasury at certain periods.

Warrants are issued and entered in this ledger to the credit of the tribes.

The ledgers for "Miscellaneous appropriations" include those for survey, allotment, and classification of lands, judgments of a court

of claims, for the construction of bridges, agency buildings, etc. The form used consists of a sheet 18½ by 16 inches, printed broadside. In the upper right corner of the form provision is made for the entry of the appropriation number and sheet number.

At the top of the form the name of the appropriation is entered.

Beneath this heading, the form is divided vertically into two divisions, the left division for debits, the right division for credits. On the debit side in the following columns are provided:

Date.
Items.
No.
Debits.

The entries in these columns are made from auditor's settlements and requisitions for funds to the disbursing officers.

On the credit side the following columns are provided:

Date.
Items.
No.
Credits.

The entries in these columns are derived from appropriation warrants, transfers, and refunds of unexpended balances.

It is said these ledgers are balanced quarterly with the Treasury books. Reports are made from this ledger to the commissioner when called for.

CREDIT ENTRIES.

All moneys appropriated by Congress for Indian purposes, all moneys which are to be received for the benefit of the Indians in accordance with treaties and agreements, in fact, the receipt of all money except "Individual Indian moneys" and its expenditure is recorded in these ledgers. The "Appropriation warrant" is the document and instrument which serves as a means of officially notifying the Indian Office that there has been appropriated a certain sum of money for use in the Indian Service. The appropriation warrant properly filled out is the posting means into all ledgers. The annual appropriation warrant is received once a year, and covers all appropriations provided for by Congress for operations of the ensuing year. This warrant is received shortly after the 1st of July, and postings are made from it to appropriation accounts indicated therein.

Two warrants are received at the end of each quarter covering the proceeds of sales of lands—thus eight of these warrants being received in a year. Warrants for all other funds are received from time to time, as Congress passes acts covering financial relations between the Indians and the United States Government.

Still another form of warrant is the "Transfer and counter warrant." This document serves as a means for making transfers from one fund to another.

The annual appropriation warrant, which is the one issued annually, is founded upon the appropriation bill passed by Congress. All entries which relate to trust funds of various kinds have as their foundation either appropriation bills, acts, treaties, or agreements, which are usually of many years' standing. All entries relating to

the sale of lands, timber, etc., are founded on similar congressional action, but these entries occur more frequently.

In cases where an erroneous expenditure has been made from any appropriation, the auditor adjusts the same by a transfer settlement.

Deficiencies arising in the settlement of claims by the auditor are certified to Congress by the Treasury Department. The Treasury prepared transfer and counter warrants; the original is retained in the Treasury Department, and the duplicate is transmitted to the Indian Office for use of the Finance Division of that office. These duplicates are filed in the Office of Indian Affairs for future reference.

DEBIT ENTRIES IN ALL LEDGERS.

Appropriation ledgers are not designed to show expenditures actually made in the Indian Service, but advances from the Treasury Department. The total of all debit entries on the general appropriation ledgers does not represent the total or actual expenditures for the Indian Service, even if refunds are taken into consideration, because of unexpended balances in the hands of disbursing officers. The documents which serve as a means for posting are—

(a) The form which is the requisition for funds to be advanced to disbursing officers to expend under authorities granted them. The requisition, when properly passed and signed by the several representatives of departments, sets aside a certain amount of money from a specific appropriation which the disbursing officer, or other person authorized to expend money, may use for such purposes as have been approved under the authorities granted him. He may expend all of this money or part thereof. If he expends the entire sum, the entry made from the requisition in the general appropriation ledger is the entry which is equal to the full expenditure, and which will be subsequently registered in the expenditure cost ledger; but if only a portion of the amount set aside by means of the requisition is spent, the disbursing officer has under his control a surplus amount of money, which he may use for other purposes if the scope of the authority permits him to do so. If the authority does not permit him to use this money for any other purpose than the one specifically designated, it becomes his duty to report a saving on this authority, make a deposit in one of the authorized depositories, and report this refund in accordance with prescribed procedure. This, however, is at times not done by disbursing officers and then the appropriation accounts are not credited with refunds. Because of this procedure, the general ledger accounts show a smaller balance under a given appropriation than is actually available for use. Amounts reported as savings are carried to the proper ledgers.

(b) The auditor's certification of settlement also serves as a posting medium to the general appropriation accounts. These certificates represent claims which were settled and paid through the auditor's office. Certain classes of claims are paid by the disbursing clerk of the Interior Department, which were formerly paid through the auditor. When a settlement of a claim is made by the auditor's office that office prepares a certificate for each claim, sends it to the Division of Bookkeeping and Warrants of the Treasury (to serve as

a means for its entries) and transmits a duplicate to the Finance Division of the Indian Office, from which postings are made into the general appropriation ledger.

Entries are also made from Treasury transfer warrants, representing the contra entries to those made from counter warrants.

TRIAL BALANCES.

At the end of each quarter the Treasury Department sends to the Finance Division a printed form which is headed "Balance sheet, 191—, Indian ledger of appropriations and expenditures." This form is so arranged that it shows the various titles of accounts vertically, under the following main headings:

- Current and contingent expenses.
- Fulfilling treaties with.
- Trust funds.
- Interest accounts.
- Support of.
- Support of schools.
- Miscellaneous.

In most instances there are subheadings under each of these, and under each subheading there are generally a number of appropriation accounts, either of a general character or relating to specific agencies, schools, and projects. The sheet is ruled in four columns, one headed "Balance to the credit of appropriation," a second "Audited expenditures," and two are blank. A copy of this form, with figures filled in, is sent by the Treasury Department to the Finance Division, and this is used to check the general appropriation ledger accounts, in order to disclose any discrepancies which may have occurred during the quarter. The errors are not corrected by journal entry, but correction is made by simply erasing the figures of all wrong entries and substituting the correct figures.

The exact classification as to appropriations and accounts which are designated as trust funds is not entirely identical in the Treasury Department and the Indian Office. This, however, does not in any way prevent the checking of the balances submitted by the Treasury Department against the balances maintained in the general appropriation ledgers of the Indian Office. Appropriation accounts are maintained in the general ledgers intact for three years, when the balances are reported back to the Treasury Department, where they are placed into the surplus fund, from which they can not be used unless reappropriated by Congress.

On June 30, annually, all three-year balances of annual appropriations are turned in. So on June 30, 1913, the balances of 1911 annual appropriations were returned, and at that time the appropriations which remained on the books were for 1912, 1913, and 1914.

APPROPRIATION AND ALLOTMENT LEDGER.

The appropriation and allotment ledger, called the "apportionment ledger," is maintained for the purpose of providing a record of each item of appropriation as passed by Congress, in lump sum, and the allotments of amounts from each item to the various agencies, schools, or projects to which the item applies.

This ledger is maintained in the Finance Division of the Indian Office. It is loose leaf in form, the leaves being 18 by 16½ inches in dimension, printed broadside. Rulings are provided for debits and credits, but no columnar headings are printed. Both the debit and credit sides are ruled alike, and provide a column for the registration of references, a broad column in which a description of each allotment may be entered, and two columns ruled for amounts.

HOW POSTED.

Postings are made directly from a journal voucher showing the allotments. This voucher is 8 by 10 inches in dimension, ruled upright, and has the following spaces provided for a general heading:

Finance—Bookkeeping.

JOURNAL VOUCHER FOR GENERAL APPORTIONMENT NO. —.

The following entries are authorized:

Below the general heading are provided a column for date and two columns headed "debit" and "credit." At the bottom of the form is provided space for signature for the principal bookkeeper and spaces for the initials of the bookkeepers who actually performed the entries on the books. The lower part of the form reads as follows:

-----,
Principal Bookkeeper.

Entered-----Entered-----

On the credit side of the apportionment ledger account is entered the total item appropriated; on the debit side are entered the allotments in detail, showing the distribution of these items to the various agencies, schools, or projects. The difference between the credit and the debit sides represents the reserve which the board of apportionment has retained for future allotment. This reserve is not posted, but is carried as a balance figure. When, in the course of the year, further allotments are made from the reserves still remaining undistributed, entry is made on the debit side of the ledger in a similar manner. Likewise, when transfers are made from one appropriation account to another a credit entry is made under the appropriation account which is to be increased and a debit entry is made to the account decreased. The apportionment ledger is not balanced or proved as to the accuracy of its postings.

THE ALLOTMENT AND ENCUMBRANCE LEDGER.

The purpose of the allotment and encumbrance ledger, called the "liability ledger," is to provide a means for recording each allotment agreed upon by the board of apportionment, and for showing the encumbrances which are made against it. In it are also entered changes and adjustments which occur from time to time.

About 10 of these liability records are kept in the Finance Division of the Indian Office. They are loose leaf in form, being sheets 18 by 16½ inches in dimension, printed broadside. At the top of the form provision is made for entry of the name of the school, agency, or project to which allotments are made. Beneath this the sheet is ruled in columns, the headings being as follows:

Authorities granted.

(Incumbrances against) Annual estimate.

Modifications—savings (1).

Charges (2).

(Incumbrances against) Regular apportionment.

Balances (3).

Modifications—savings (4).

Charges (5).

Reference.

Number (6).

Date (7).

Legend (description of item) (8).

Apportionments (allotment).

Regular apportionment (9).

Annual estimate (10).

Warrants.

Issued (11).

Covered (12).

From this it will be seen that each account, if up to date and accurately kept, will at any time show the unencumbered balance of the allotments. The journal voucher is the posting medium used to enter the allotments made by the board of apportionment against the corresponding appropriation. These allotments are posted into columns 9 and 10 of the liability ledger.

At the beginning of the fiscal year the appropriation accounts are credited in column 10 ("Annual estimate") with such amounts as are allotted to the particular agency or school for purchases under contracts against which will be charged contract encumbrances. In column 9 ("Regular apportionment") is entered the amount which represents the difference between the total apportionment to this agency, school, etc., and the annual estimate set aside in column 10. The total of the two columns represents the total of the allotment for this agency or school under this appropriation. In the adjoining column (8) under "Legend," notices are made of the purposes for which authorities are granted or apportionments made. It is supposed to be descriptive, but only very short descriptions are given here. Similarly to the apportionments authorities granted are segregated as to those which are granted under contracts, "Annual estimate," and those granted from the "Regular apportionment." Authorities to make expenditures from these apportionments originate with the disbursing officers or other Indian Office administrative division heads. After they have been properly approved and passed, these authorities reach the Finance Division, where they are posted into the liability ledger under the appropriate account and apportionment therein, in subcolumns entitled "charges"—column 2 or 5, as the case may be, depending upon the nature of the authority, whether it be from an "annual estimate" or a "regular apportionment." In columns 6 and 7, under the general heading "Reference," the number of journal voucher or authority and the date are entered. When a saving upon an authority is reported by the

disbursing officer, the appropriation account allotment is posted in columns 1 or 4. Although this is strictly a credit entry, it is posted on the debit side of the account and acts as a deduction from columns 2-5, respectively, in order to facilitate deduction and the entry of the difference between the two in column 3, which is "Balances."

When, upon request of the disbursing officers, or sometimes upon demand from the central office, it becomes necessary to modify an authority already granted so as to provide for an excess expenditure over the amount authorized, it becomes necessary to record these modifications in the liability ledger, which likewise is entered in the column "Modifications-Savings," columns 1 and 4. This is a debit entry. If all modifications were footed and added to the total of all items under "Charges" and a deduction were made of all items comprising savings, the difference would be the balance available under "Regular apportionments." Under columns 11 and 12 on the credit side of the liability ledger are registered warrants which were requested under requisitions coming from the disbursing officers or other persons authorized to expend. This entry is made from the requisition itself, about six days before the actual issuing of the warrant.

COST LEDGERS.

The "cost ledgers" are also maintained in the Finance Division of the Indian Office. They are designed to show a complete analysis of expenditures, by objects (things purchased or used) under each allotment for each agency, boarding school, day school, survey project, irrigation project, inspection service, or other miscellaneous work. There are eight of these books, seven for regular agencies and schools and one for irrigation, allotment, survey, and miscellaneous charges. The form used is loose leaf, 22½ by 18 inches, printed broadside. At the top of each sheet are the following printed headings:

Agency, school, or project.
Appropriation.
Page.

Beneath these headings the form is ruled in columns, the headings of which are as follows:

Date.
Account or claim.
Salaries, wages, etc.
Traveling expenses.
Transportation of supplies.
Heat, light, and power.
Service: Communication service, printing, binding, advertising, etc.
Subsistence supplies.
Dry goods, wearing apparel, etc.
Forage.
Fuel, illumination, lubricants, etc.
Stationery and office supplies.
Educational supplies.
Medical supplies.
Equipment material, etc.
Construction.
Repairs: Labor and material.
Rent.
Miscellaneous.
Total.

The cost ledgers maintained in the Finance Division carry only such accounts as deal with the expenditures made for the field service. Expenditures of disbursing agents and others who are in the field are accounted for through this cost ledger, but expenditures incident to the conducting of the business of the Indian Office are not made a part of this record, except such expenses as tolls on telegraph and telephone messages sent and received by the office and the salaries of a few employees not paid from the allotments from items in the legislative bill. In other words, these "cost ledgers" embrace analyses of expenditures from appropriations made for the Indian field service only.

CLASSIFICATION BY LEDGER SHEETS.

By arrangement of the loose-leaf cost-ledger sheets, the cost ledgers are self-indexing, in so far as they relate to the main classification which divides the eight cost ledgers into sections. These ledger sections and their subdivisions are:

AGENCY AND SUPPORT OF INDIAN SECTION.

All agencies, no matter where located geographically, are brought together into this section by alphabetical arrangement. Each agency has allotted to it as many loose leaves as there are different allotments or appropriation items affecting it.

THE BOARDING-SCHOOL SECTION.

All boarding schools, no matter where located geographically, are brought together into this section by alphabetical arrangement. Each boarding school has as many sheets as there are allotments or items of appropriation applicable.

THE DAY-SCHOOL SECTION.

All day schools, no matter where located geographically, are brought together in this section by alphabetical arrangements. Each day school is allotted as many sheets as it has different allotments or items of appropriation applicable.

THE ALLOTMENT AND SURVEY SECTION.

The sheets are arranged alphabetically by the name of the reservation where the allotment of lands and survey work is being performed, regardless of its geographical position. Under each reservation there are as many sheets as there are allotments or items of appropriation. However, there is seldom needed more than one sheet for each.

THE IRRIGATION SECTION.

Each reservation on which irrigation work is carried on has as many sheets as there are allotments or items of appropriation applicable. There are few for which more than one sheet is needed.

THE MISCELLANEOUS SECTION.

The miscellaneous section combines all the functions for which a separate section is not provided. They may be such as extend over the entire service or are of minor importance and not frequently occurring. Some of the sheets representing these functions may have to do with only a few reservations or in some cases with a single reservation. The main classifications are:

1. Attorneys' and counsels' fees.
2. Catholic mission schools.
3. Five tribes.
4. Five tribes' schools, general supervision.
5. Inspection, special agents.
6. Supervision of schools.
7. Construction (which covers supervisors of construction).
8. Industries (which cover general officers and employees supervising agricultural and industrial work).
9. Health inspection (which includes general health supervision officers).
10. Warehouse inspection and advertising of supplies, etc.
11. Suppression of liquor traffic.
12. Miscellaneous timber expenses (which include general supervision of forestry work).
13. Sundries. (Into this fall such items as can not readily be classified under any of the above specially set up appropriations or classifications.) Information entered here relates to:
 - (a) Telephone and telegraph service of the main Indian Office.
 - (b) Expenses of particular Indian commissions.
 - (c) Other similar and incidental expenses.

Any of the above 13 subsections of the miscellaneous section of the cost ledgers may have as many loose-leaf sheets as there are allotments or items of appropriation applicable.

DIFFERENCE IN USE AS COMPARED WITH ALLOTMENT LEDGER.

Since, by congressional action, there have been established many lump-sum items of appropriation, each one of which is for a specific function of the whole Indian Service, allotments may be made from each item to nearly every reservation. Therefore, the title of a single item of appropriation may be found on as many loose-leaf cost-ledger sheets as there are agencies, schools, day schools, boarding schools, etc. There are approximately as many sheets as may be found in the allotment and encumbrance ledger ("Liability ledger"), but the sheets are differently arranged and the columnar analysis shows expenditures by objects.

POSTINGS TO COST LEDGERS.

The entries, however, are made from a different source, viz, from claims prepared by the claim section and from quarterly accounts rendered by the various disbursing officers. Each claim and each supporting voucher attached to the disbursing officer's accounts current is analyzed, and the several items are as charges under the appropriate allotment or appropriation item, the amount being

distributed in columns. The quarterly accounts are so prepared that they are already classified and analyzed by appropriations, with the result that the cost clerk posts direct from these statements. The quarterly accounts are not entered in the cost ledgers until they are examined by the account section of the Finance Division. The posting, therefore, differs from the amounts of the claims rendered by the amounts of the adjustments.

METHOD OF DETECTING ERRORS.

There is no means for proving the accuracy of the postings by trial balance. Errors, therefore, are discovered only as a matter of chance or by detailed checking. If, in the course of the work, the cost clerk notices that a wrong account or column has been posted, this may be corrected. So, too, if it be discovered that a wrong charge has been made on the abstract of disbursements, this is sent back to the account section for a supplemental examination, although this is not strictly considered a part of the duties of the cost ledger clerk. The general rule is that anyone, be it his special assigned duty or not, shall call to the attention of those responsible any errors or mistakes which come to his notice. Because of the present procedure, the Auditor for the Interior Department may make changes and adjustments either at the suggestion of the account section of the Finance Division, or of his own accord, and because the auditor does not systematically send notice to the Finance Division of changes made, the cost ledger clerk does not receive all adjustments. He receives all adjustments with regard to claims and makes the necessary changes on the books.

Adjustments to be made on claims may be brought to the attention of the cost ledger clerk by checking the entries made in the cost ledger against the entries made in the general appropriation ledger. The general appropriation ledger clerk also receives from the Treasury Department certificates of settlement, upon which are shown, by appropriation accounts, the amounts of claims liquidated through the Treasury Department upon the auditor's certification. Usually there is a certificate for each claim. These items are posted into the general appropriation ledger to the respective accounts. Periodically the cost ledger clerk checks the various claim accounts of the general ledger and the accounts as shown in his cost ledger in the total columns and ascertains that no differences exist between the two books, or if he ascertains that a difference does exist, he makes the necessary inquiry, changes, and adjustments. This is true of all claims except those for railroad freight paid from the appropriation, "Purchase and transportation of Indian supplies." Items are charged to the fiscal year during which they are incurred or of which they are a liability, and not necessarily to the year in which they are paid. An index is kept showing at what agencies and schools expenditures from each fund are found, and when the fourth quarter of the accounts has been entered the books are footed up and summarized.

CHAPTER VIII.

METHODS OF EXAMINATION AND AUDIT.

The audit of transactions of the Indian Service is carried on by the Auditor for the Interior Department, whose office is a part of the Treasury Department. In this a separate division has been established which passes on all vouchers and accounts dealing with Indian matters. The audit by the Treasury Department, however, is based on certification of persons in the Indian Service. The certification is done by the person in charge of the superintendency or administrative unit in which the transaction takes place. This is followed by an examination in the Finance Division of the Indian Office. For the purpose of administrative examination two sections have been created in this division; one, called the "accounts section," handles the accounts current of the Indian Office—i. e., the receipts and disbursements of Indian agents; the other, called the "claims section," handles the vouchers which are to be paid by Treasury warrant direct.

EXAMINATION AND AUDIT OF ACCOUNTS CURRENT.

The purpose of examining quarterly accounts current of disbursing officers in the Finance Division is to give to the returns a central office review and certification before sending them to the Auditor for the Interior Department.

AUTHORITY VESTED IN THE EXAMINERS.

The examiners attached to the Finance Division have no authority to allow or disallow any items reported by the disbursing officers in their quarterly accounts current. They may question and make the necessary memoranda on the abstracts of disbursements, duplicate copy, but they may not change, erase, or cancel any figures or items, make transfers, etc., on any statements or vouchers submitted by the disbursing officers. In making their examinations they are vested only with the authority to verify, audit, and examine the accounts and call the attention of the Auditor for the Interior Department to such discrepancies and to such items of difference which in their opinion should be adjusted or canceled.

CERTIFICATE OF ADMINISTRATIVE EXAMINATION.

There is no formal statement to which the examiner who makes the administrative examination certifies. When he has completed his examination he prepares a memorandum of exceptions, if he has any to note. He is held responsible for the faithful performance of his work through initialing for identification.

PROCEDURE OF ADMINISTRATIVE EXAMINATION.

Upon receipt of the quarterly accounts current in the Mails and Files Division, each is given a mail and files office number, and has

attached to it the usual transfer or mail distribution card. The quarterly accounts current are then transmitted to the filing section connected with the Finance Division, where the accounts are given a Finance Division office number consecutively, a new series being given each quarter from 1 up. The accounts current are examined so far as practicable in the order in which they are numbered. After receiving the accounts current the Auditor for the Interior Department is given a list or a schedule from time to time showing the date of sending from the field disbursing officer and the date of receipt in the central office. This is done in order to show the auditor whether or not a delinquency exists in the rendering of any accounts to the Indian Office. The law does not permit the quarterly accounts to remain in the Indian Office for examination longer than 60 days, and should an account not be transferred by the Indian Office to the auditor's office for the Interior Department, the request for the removal of such a delinquency would have to be forwarded through the Secretary of the Interior to the President, who alone has the right to remove such delinquency. The method of examination of these accounts is clearly defined in rules prescribed by the head of the account section of the Finance Division of the Indian Office. At the present time the rules governing each examiner are as follows:

Method of handling papers, etc., in examining cash accounts, and important points to be observed by examiners.

1. The file clerk issues the account to be examined, together with the previous account, including the account current, check approvals, if any, and the "memoranda."
2. The examiner obtains the exceptions to previous account, and also the "memoranda of authorities," from bookkeeping section.
3. The examiner checks the account current (form 5-115a) as follows:
 - a. The period for which rendered.
 - b. The balances on hand first of quarter with balances as shown by the memorandum account current for the previous quarter, checking *each* appropriation "head" and *each* amount *thereunder*.
 - c. The date of bond with date shown on the carbon copy of requisition for funds.
 - d. The advances during the quarter from the treasury as shown by the carbon copy of *requisitions on file*, checking amounts under *each appropriation or fund*, and seeing that they are stated *exactly* as shown in requisition and checking the requisition with *red* pencil.
 - e. The signature of superintendent and signature and *seal* of notary public. If the account is "certified on honor," seeing that copy of authority therefor is attached to the account current.
 - f. The *analysis* of *balance* with *subsidiary* cash and net balances in depositaries. Seeing that *total outstanding* checks, amount in *each* depositary, and *net* balance are shown.
 - g. That first endorsement is *dated* and *signed* by the *disbursing officer*.
 - h. The expenditures *paid in cash* as shown by *subsidiary* cash account with vouchers.
 - i. Seeing that the *proceeds* of all *trust fund, benefit, etc., warrants*, where the amounts are to be accounted for by the superintendent, as shown by *carbon copies* of *auditor's settlements* in memorandum file, are *taken up* on the *voucher* for miscellaneous individual Indian money, or charged within *ninety* days of date of settlement.
 - j. The columns for individual Indian moneys, and seeing that they are *grouped* together on the account current and abstract of disbursements.

The vouchers with abstract of disbursements as follows:

(1) In general:

A. All vouchers must show date and file number of authorities for expenditures consisting of either—

- a. For regular salary lists—see *instructions* as to pay-roll vouchers.
- b. For advance authorities—see *instructions* as to sundry classes of vouchers.

c. *Approvals of indebtedness*—checking and placing both original and memorandum authority with memorandum voucher, and making slip to attach to original voucher, *unless authority covers labor*, in which case *sending original authority* with original voucher.

d. Sections 287, 291, regulations 1904, as amended—

In all cases *comparing the expenditures* as shown by the *vouchers* and the *appropriations* as shown on the *abstract of disbursements* with the appropriations shown by the *authorities*. If the charges are not made on the abstract in accordance with the authorities granted, and there is time before the close of the *fiscal year*, requiring the superintendent to make correction in the following quarter by *debiting* the proper appropriation and *crediting* the one from which the *payment* was *erroneously* made, and showing the *correct charge* on the memorandum *account current* and abstract of disbursements. If too late in the fiscal year to do as above outlined, merely *calling attention* to the *error* and *correcting memorandum account current* and *abstract of disbursements* as above indicated, the auditor's office in the latter case making the necessary debits and credits.

e. Where there is any question as to the charge to be made against an authority, either in connection with the regular vouchers or individual Indian money vouchers, the examiner makes the entry, followed by the words "See exception ----- quarter, 19--." The necessary exception is taken and, when satisfactorily answered, the clerk removing the exception corrects the entry, if necessary.

f. Where a single authority carries *separate amounts* for *specific items*, all *payable* from the same *appropriation*, e. g. \$200 for repairing school buildings, \$300 for building school fences, \$600 for plastering dormitory, \$50 for carpenter labor, and \$25 for brick and stone mason, etc., then the first examiner making charges against the authority must *divide the space allowed* for *entries* so as to *group* the charges for *each specific item* together. Succeeding examiners will then make entries separately for *each item* until the amount therefor is exhausted.

g. All expenditures must be evidenced by *receipts unless payment* is made by the *official check* of the superintendent, which when *paid* goes to the Treasury Department and *operates as a receipt*. The voucher must show *check number*, *date*, *amount of check*, to whose *order drawn*, and *depository* on which *drawn*. If paid in cash, amount must be checked in the subsidiary cash account by the examiners.

Certificate as to correctness of vouchers showing payments to Indians for purchases from them are required, *even though payment* is made *by check*. They are obtained by having the Indians sign the roll as if receipting for payment.

4. Purchase vouchers (not made from Indians) are checked as follows:

- a. The signature of claimant with name shown at head of voucher.
- b. The certificate of employees showing receipt of goods, etc.
- c. Noting date of check to see that no *advance payments* are made.
- d. The *certificate* of superintendent.
- e. The *date* and *number* of the authority.
- f. The *purpose* for which purchased.
- g. The *method* of purchase.

4. Purchase vouchers—Continued.

- h.* The number, date, and amount of check as stated, and seeing that the amount agrees with total of voucher.
- i.* The items purchased with abstracts A and B of property account. If the supplies purchased are not taken up in property account, but are expended on purchase voucher, seeing that proper *certificate of expenditure* by an *employee* is filed with the voucher.

Expendable property *other than subsistence supplies* purchased in *open market* and expended in the quarter in which paid for, *need not* be taken up in the *property account*, *provided* a certificate signed by the *employee* under whose supervision the property is expended is placed on the purchase voucher.

See section 453, Regulations 1904.

- j.* Authority for expenditure. The original authority must be attached to the voucher and referred to thereon by number and date. If previously submitted, the voucher with which filed must be stated. Enter on memorandum of authorities the amounts expended as shown by the voucher. If *more than one* authority is cited, see that the amount expended under each is stated.
- k.* If for purchase of supplies an amount of purchase at any one time exceeds in the aggregate \$500, at least three weeks public notice by advertisement must be shown unless—
 - (1) An exigency is declared by the Secretary which will appear in the authority, which must also be signed by him and must not exceed \$3,000.
 - (2) Or the supplies, contracts, or labors are for irrigation works and do not exceed \$5,000 (35 Stat. L., 71).

5. Traveling expenses—Voucher Form 5-335d:

- a.* The purpose for which trip is made must be specifically stated. See circular 759.
- b.* Subvouchers Form 5-927 must be furnished for all payments amounting to more than \$1 except—
 - (1) Railroad fares.
 - (2) Sleeping-car fares.
 - (3) Meals without lodging, when itemized separately. The exact days and whether for supper, lodging, breakfast, or dinner must be stated on the voucher.
- c.* Affidavits may be verified before superintendent or clerk designated by the Secretary of the Interior to administer oaths to traveling expenses. See circulars 680 and 696.
- d.* Checking details of check making payment.
- e.* When for pupils, the names and ages must be stated in each instance. For others, names and necessity for paying their expenses should be shown.
- f.* Making charges against authority. Carefully noting the reading of the authority to see that all expenses are properly chargeable to it.
- g.* Expenses must be fully itemized on the voucher as well as on subvouchers.

6. Miscellaneous voucher (Form 5-335a):

- a.* Checking authorities, certificates and details of check covering payment, same as for purchase vouchers.
- b.* Receipts for prepaid express or freight must always be furnished and the number, etc., of voucher showing purchase of articles transported must be stated.
- c.* The rule as to competition applies.
- d.* Deeds for purchase of land must be filed with voucher.
- e.* If the service is a *continuing* one, an informal agreement on Form 5-086 must be attached to the original voucher or referred to thereon. Note on memoranda of authority, the number, etc., of the voucher to which agreement is attached, if any.

7. Pay roll of Indian freighters (Form 5-334):

Vouchers for transportation by Indians must be supported by bills of lading signed by each freighter. If the old form of voucher is used, the words "without package numbers" should be stricken from the certificate of weigher before signing.

8. Making certificate on Form 5-167 and attaching to abstract A of property account. The examiner should enter all items of property not taken up or expended on proper certificate and sign the certificate.

9. Computing totals for each appropriation on abstract of disbursements and check amount carried forward to account current, after making any necessary corrections.
10. To fill out indorsement on back of original abstract of disbursements showing total amount chargeable to each appropriation or fund, and place his *initial* and the *date* on line showing *footings on last page of memorandum abstract* and see that the *correct disbursements under each appropriation and fund* are shown on the *memorandum account current*.
11. To check over all matters in the memorandum file relating to the account, and *remove* therefrom all *letters*, etc., which do *not* concern *future examinations*. Papers which are to be "dead" filed should be so marked when removed from the memorandum folder and turned into the file clerk.

(A) Pay roll of employees (Form 5-330):

- a. To check *each employee* with *cards in education division* as to—
Name.
Period of service.
Salary.
Leave without pay, etc.
- b. To compute number of months and days of service and *check* same on the roll. (See Treasury Circular No. 67.) To see that the exact number of months or days for which payment is made is given.
- c. Authorities for *irregular* employees should be handled in the same manner as those for *purchases*, except that the original authority must remain with the original voucher.
- d. To check *positions* paid as stated on the roll with those authorized, and the salaries thereof and appropriations from which paid as shown by salary list in education division.
- e. To compute *total charge against each* appropriation, both for the *regular and irregular* employees, and see that superintendent's recapitulation of same on last page of pay roll is correct.
- f. To see that check number, amount, and date of *each* check are given, or that the receipts for cash payments are attached.
- g. To see that roll is signed by superintendent and sworn to, with notary's signature and sealed in proper form.
- h. To make certificate as to regular employees on back of roll, both on *original and memorandum*, and have same signed by the chief of division.
- i. To require that periods of service be specifically stated and discourage the use of "ditto" marks.

(A) Annuity pay rolls (Form 5-322):

- a. To check names with former rolls or with approved rolls, comparing *year of birth, sex, and relationship*, and *notations of trust fund settlements*.
- b. As to *new enrollments* to see that *date of birth* is given. (No new enrollments are allowed at the Osage Agency, but payments are made to the heirs of a deceased Indian.)
- c. As to transfers, to check on former roll by number given in first column of present roll.
- d. As to deaths, to make check on former roll when omitted from present roll, and after completing checking the roll, go *over former roll*, looking at *deaths* reported to see that no such names are carried forward to *new* roll. One payment after death is allowed from each class of funds.
- e. To check certificates of head men, etc., with the roll (for payments to others, taking care of minors and incompetents).
- f. To check roll as to items covered by superintendent's certificate.
- g. To see that shares of deceased persons are deposited to the credit of their estate unless *heirs have been determined* in which case the *office file number* and *date of findings* must be given in "remarks" column.
- h. To see that names of persons to whose order checks are drawn are shown on roll and that check numbers and dates of checks are given.

11. To check over all matters in the memorandum file, etc.—Continued.

(A) Annuity pay rolls—Continued.

- i. To examine *amounts* paid and *data* as to check drawn, or *signatures*, if paid in cash.
- j. If the payment is a *special* one and *special* instructions have been issued therefor, to see that such instructions are observed.
- k. To *compare* total amount paid with abstract of disbursements and the appropriations authorized; making entry on the memorandum of authority showing the amount paid, etc.

(1) When shares are deposited in bank to the credit of the Indians, to see that the bank account numbers are shown in the "remarks" column on the roll opposite each amount deposited, and that the schedule at the end of the roll, giving the names, numbers, amount deposited, and number in bank of each item is filled out; also, to see that the aggregate of such deposits appears on a separate line on the debit side of the account current under the various funds or appropriations as a "transfer to bank accounts" instead of being included with the amounts actually paid to Indians (however, total of the deposits and the amounts paid direct to Indians should be carried to abstract of disbursements under the proper headings); also, to see that annuity roll numbers appear in the "remarks" column of the abstract of bank accounts opposite each account deposited.

(B) Land sales roll (Form 5-319):

- a. To verify balances brought forward.
- b. To pay no attention to the "received" column except to see that the proceeds of all cash sales which have been approved three months or more, and that within 32 days after they fall due all notes and interest payments shown by liability cards, Form 5-403, are collected and the amounts taken up. If not taken up, exception should be taken, and that fact noted on the copy of approval of sale or the liability card, as the case may be.
- c. To check *very carefully* the "deposited to credit of Indians" and "paid direct to Indians" columns. In every case refer to the *authority* or the *liability card*, as may be proper.
- d. If a copy of the approval of the sale is not in the temporary land-sale file, to send to the general files for it.
- e. Liability cards, Form 5-403, one of which there should be for every sale made under deferred payments, will be placed in the temporary land-sales file as they are received. They should be kept in this file until the sale has been approved, when the date of the approval and the authority number of the approval should be indorsed thereon. They should then be placed *by the examiner* in the *permanent liability card land-sale* file. The purchaser is not required to pay any interest accruing prior to the date of the approval of sale.
- f. When a sale is made under deferred payments and there is no liability card, Form 5-403, in the temporary or permanent file (both should be consulted), a *dummy* should be placed in the *permanent* file and a card called for in the exceptions. This dummy should give every material fact which can be ascertained, and should show that the original card was called for, followed by the date and the examiner's initials.

(1) As soon as all the proceeds of a cash sale have been cleared from the land-sales roll the copy of the approval should (unless it carries with it an authority for further payments) be marked conspicuously as "dead" and sent to the file room.

(2) If the approval also authorizes disbursements, after deposit of the proceeds, an abstract of such authority on Form 5-139a (pink) should be made for each heir and fastened to the face of the copy of the approval, for file with the bank account authorities. All amounts paid from the proceeds under such authority will then be recorded on said pink sheet.

11. To check over all matters in the memorandum file, etc.—Continued.

(B) Land sales roll—Continued.

f. When a sale is made under deferred payments, etc.—Continued.

(3) In case of a sale under deferred payments, as soon as the original or dummy liability card has been indorsed with the date of approval and placed in the permanent file, the temporary file should be cleared as above indicated.

h. When part of the proceeds are transferred to another school, and the approval also grants authority for payment to the Indian, form 5-139a should be made out and attached to the face of approval as above instructed, but marked plainly with the name of the school to which the funds are transferred, sending same to the file room separately for filing with the bank authorities for said school.

i. If deposits are returned to bidders by checks, the check numbers must be appropriately cited, and if returned in cash, a *cash receipt* should be furnished.

j. To check totals of amounts on hand at beginning and close of quarter; amounts received; amounts deposited; amounts paid direct to Indians; amounts returned to bidders; amounts transferred to other schools, etc., with account current. Make transfer slips, unless already in memorandum folder, for all amounts transferred to other schools.

k. To see that all money received for the purchase of land is taken up on the account current under "special deposits" and held there until after official notice has been received of the action of the department, and to see that all proceeds of such sales shown on voucher as on hand at the end of quarter are carried in the column "deposits with bids."

Proceeds of sales of timber should be shown as "individual Indian money timber sales" on the account current, and on the roll in the column "Deposit with bids" if on hand at beginning or close of quarter.

l. The name of each Indian must be shown, the amount on hand first of quarter belonging to each, the amount received for each, the amount paid to or deposited to the credit of each, and the amount on hand at end of quarter belonging to each. To see that the proceeds on hand are dropped from the land and timber sales voucher, if the sale has been approved by payment to the grantors under proper authority, or by deposit to their credit in banks taking same up on abstract of bank accounts. Should a grantor be dead and his heirs undetermined, the proceeds should be deposited to the credit of his estate in order that they may draw interest. If any balance in connection with an approved sale in excess of \$10 is carried at end of period to require the superintendent to make a special explanation.

m. Some of the sales made at Seneca and Kaw come under special regulations which must be consulted in checking up.

(C) Rentals on allotments (agricultural) Form 5-286.

a. To check amounts on hand first of quarter with former roll.

b. To get liability cards from file room and to check amounts received during quarter with said cards, making entry of the quarter in which the amounts are taken up. To see that each share is shown correctly where more than one person shares in the rental, and note exception on cards, if exception is taken. If no card can be located, to make a dummy card and take exception, asking for file number of office approval of lease and require a card, unless it has previously been furnished, in which case the date it was submitted must be stated.

c. To check schedule of deposits with amounts shown as deposited in column "deposited to credit of Indians." To see that said schedule shows both the lease number and the bank account number. To check amounts paid direct and see that sections 33 to 38, regulations of 1913 are complied with. See that each lease shows that correct balance at end of quarter.

d. To check total amount received with abstract of miscellaneous funds. Check total amount paid to Indians with account current and abstract of disbursements.

11. To check over all matters in the memorandum file, etc.—Continued.

(C) Rentals on allotments—Continued.

- e. The file number of *departmental approval of heirship findings* must be *cited for all payments made direct to heirs who are not shown on cards*. Whenever the names of the additional heirs are approved they must be *entered on the liability card* and the *authority number and date must be inserted on the card by the examiner*.
- f. If *no lease roll is with the account*, to examine *former account and the card records to see if there are any leases*.
- g. *Year of birth of each lessor* should be given.
- h. To make transfer slips (if not already in folder) for *all amounts transferred to other schools*.
- i. To see also regulations of July 14, 1913. Rentals on allotments (mining). See sample account and instructions on form 5-154o (final sheet).

MISCELLANEOUS INDIVIDUAL INDIAN MONEY.

(See instructions on form 5-140a, and regulations of July 14, 1913.)

To make transfer slips (if not already in memorandum folder) for all amounts received from or sent to other schools.

(D) Abstract of bank accounts.

- a. Not to check balances on hand first of quarter.
- b. To check deposits with schedules attached to land sales, annuity, lease, miscellaneous individual Indian money, and royalty rolls (form 5-154b) and with schedule at end of annuity roll. To consult sample account on reverse of form 5-129a.
- c. To compare the authorities found in files and note on the authorities in the proper column therefor the amounts expended as shown by the checks, and whenever an authority is exhausted, to mark it "exhausted" and place it in the file of exhausted authorities.
- d. To check the total amount of checks drawn with the abstract of disbursements.
- e. To see that a recapitulation and analysis are made on form 129a.
- f. To make transfer slips (unless already in the memorandum folder) for all amounts transferred to other schools.
- g. See regulations of July 14, 1913.

EXAMINING VOUCHERS FOR RECEIPTS BY DISBURSING OFFICERS.

Although the rules prescribe that an examination shall be made of all receipts of money by disbursing officers, the records which are available in the Office of Indian Affairs which may be used as a basis for verification are so meager that the examiner is unable to make the examination with any degree of efficiency. The Indian Office has no means of telling how much money each disbursing agent has on hand which he has collected from "miscellaneous" sources, except as reported by him in his account current which is submitted quarterly. Some "miscellaneous receipts" lend themselves to a meager check; others can not be verified at all by examiners in the central office. It is quite possible for the disbursing officer to grant permits for various purposes for which payment is to be made to him. The amount of these permits is determined frequently from the quantity of service performed. It only requires an incorrect reporting of quantity of service performed to enable the officer to falsify his account and no further examination can be made of the amount received by the disbursing officer except in so far as a false return may be detected by special agents in the field.

METHODS OF EXAMINING PROPERTY ACCOUNTS.

The rules prescribe that the disbursing officers must report property received on a property return. But as in case of the examination of the miscellaneous receipts, there is little or no means provided for checking the accuracy of these property returns. The Office of Indian Affairs is only aware of the fact that the disbursing officer has received the article or articles in question when he reports the fact on "Abstract A" of his property account. If articles are purchased and paid for through the Indian Office, invoices are checked against "Abstract B" of his property account; and if all the articles named in such an invoice are taken up on the abstract, the invoice is approved, and the transaction, so far as the purchase is concerned, is closed. The amount of the property remaining on hand at the close of a quarter is not checked to the property return for the next succeeding quarter. Nor if it were so checked would it prove anything except the reporting skill of the officer. The checking of one return with another is only done where it is a final return under a bond or the final return of a disbursing officer, because in that case the successor to the retiring disbursing officer is required to prepare a certificate showing what properties he has taken over. At no time is there a definite inventory prepared, at least, not an official inventory. The disbursing officers, when they make an accounting, for self-protection sometimes prepare an inventory, but this is not required. The Office of Indian Affairs has no record, and, therefore, the examiners in checking the property returns have little or no means whereby they can verify the correctness and accuracy of the property returns provided.

EXAMINATION OF CLAIMS TO BE PAID BY TREASURY.

The accounts against the Government that are to be sent to the Treasury for payment are called "claims" as distinguished from those paid by the disbursing officer. Claims are divided into three main classes:

1. "Supply claims," which cover all the supplies which are bought on annual estimates, and "miscellaneous claims," known as open-market purchases, which are made from time to time to supplement the annual estimates under "authority C."
2. "Annuity and trust claims," or those made by individual Indians for back annuity and shares of trust funds belonging to the tribe.
3. "Railroad transportation claims," which include those for both freight and passenger service.

SUPPLY CLAIMS.

Supply claims are divided into two main groups—claims which cover supplies bought on annual estimates, and miscellaneous open-market purchases. These latter claims cover claims for advertising, building claims, school claims, telegraph refunds, and transfer claims.

UNDER ANNUAL ESTIMATES.

Supply claims which cover supplies purchased on annual estimates are transmitted to the home office from warehouses in the Indian

Service. These warehouses are located at Chicago, New York, St. Louis, Omaha, and San Francisco, respectively. Supplies on annual estimates are bought under contract duly advertised, copies of which, after execution, are placed on file in the claim section of the finance division. These contracts are given serial numbers and filed in that order.

Purchases are made on requisition by the warehouses. When supplies are delivered, they are accompanied by a prescribed form of Government voucher—an original and two copies. The warehouseman certifies on the voucher the fact that the goods have been received, and the inspector certifies that they are in accordance with the requirements of the contract. The original and one copy of the voucher are transmitted to the central office. The voucher is received by the mails and filing section and indexed as a claim. It is given a serial claim number which, with a brief description of the subject matter, and is typed on slips in accordance with the general filing system of the claim section. Three slips are made. One slip is prepared and filed away under the name of the contractor, another under the claim serial number, and if the contract pertains and relates to some special school or agency, it is filed under that school or agency. When a claim relates to a number of schools or agencies, a separate slip is not filed under each of the schools and agencies mentioned. It is then considered as a claim for the entire service.

The filing system provided in the claim section also includes a ledger record for each contractor. All claims of the same contractor are listed, with the amount of each claim, and the action taken thereon is indicated opposite each claim number under the contractor's name. In order that no discrimination be made between the amount of work involved in the examination of claims, the examiners are required to take up the claims in the order in which the claims are numbered.

EXAMINATION OF CONTRACT CLAIMS.

The examiner separates the duplicate of the invoice from the original and checks the original invoice with the contract to see that the prices as stated are correct. He then checks the invoice with the schedule. By checking against this schedule the amounts set aside by the bookkeeper to meet the payments on these contracts are verified.

After the examiner has checked the invoice, he arranges the invoices in order of the appropriations, to meet the requirements of the Treasury Department as indicated in the schedule which the Treasury Department furnishes. He then dictates his claim, and it is written on a form letter for transmittal, with the schedule attached. This schedule shows the name of each Indian school or agency involved under the appropriation to be charged, and opposite the name of the school or agency the amount chargeable to each is shown. These amounts are aggregated and the total amount chargeable to each appropriation is brought out. The total of the schedule is carried forward to the face of the sheet which transmits the claim and shows the total amount to be paid.

After the examiner has finished the verification of a claim, he transmits it to the chief of the claim section for review. If found

correct, it is passed on to the ledger keepers, who enter the amount as shown on the claim against each appropriation. It then is transmitted to the cost ledger clerk, who enters the amount under each appropriation, grouping the entries by schools, agencies, etc., and with a further subclassification by the items of expenditure under each subhead. The claim, when so entered, is transmitted to the chief of the Finance Division for his approval, and thereafter it is sent to the second assistant commissioner.

From this point the claim may take one of two paths—if it is a claim in respect to which there is attached no doubt as to its legality or justness, it follows the ordinary course of business and is transmitted to the chief disbursing clerk of the department, who makes the payment. If the claim involves construction of law or any question that would make it doubtful, or if the claim belongs to a prior fiscal year, and is examined in the latter half of the succeeding fiscal year, the claim is sent to the Auditor for the Interior Department who transmits it further in the usual manner.

The chief disbursing officer pays some of the personal-service claims and some traveling expenses. To him are not referred any claims for annuity and trust funds, transportation claims or telegraph claims, all of which are sent directly to the Auditor for the Interior Department.

PREPARATION OF CLAIMS.

Claims are prepared by the examiner in the form of a typewritten schedule, made in four copies, which shows the appropriation, the schools and the amounts chargeable to each. The original copy is transmitted, with the original invoice, to the Auditor for the Interior Department or the chief disbursing officer. The second copies of the invoice and the schedule are filed under the claim number, numerically. These constitute the office record of claims. The third copies of the schedule and statements are mailed to the claimant, and serve the purpose of informing him how the claim was settled. The fourth copy is retained by the examiner, as his personal record of the work performed by him.

CLAIMS FOR "OPEN MARKET" PURCHASES.

"Supply claims" include large numbers of "open market purchase claims." Before an open market purchase can be made, an "authority" has to be obtained from the administrative section of the office. These authorities are ordinarily transmitted to a warehouseman with the accepted bid, and an abstract of all bids which were received. The warehouseman places his order, receives the supplies at the warehouse accompanied by an invoice, and certifies on the invoice the receipt of the goods.

The warehouseman transmits the original invoice and memorandum to the Office of Indian Affairs, and ships the goods to the disbursing officer of a reservation. The original and memorandum bill of lading, accompanied by the copy of the invoice, are sent by mail to the superintendent. When the original invoice is received in the Office of Indian Affairs, it is briefed as a claim for settlement. When the authority is granted and the original thereof sent to the warehouseman, a copy of this authority is filed in the claim section under

the name of the school or agency for which the supplies are purchased. This claim section copy is used to note thereon the settlement of the claim when the claim has been examined and passed.

The warehouseman has instructions to transmit the original authority with the original claim. Frequently the authorities embrace several claims. For this reason it is not possible to attach and transmit the original authority with each claim.

The claim section copy constitutes the office record and, by registering all claims which were passed under the one authority, provides a check against duplication of payment.

The method of settlement, indexing, recording, and filing is the same for all classes of claims.

CLAIMS FOR ADVERTISING.

The statute requires that all advertising claims shall be previously authorized by the head of the department. The Secretary of the Department of the Interior has delegated this power, within certain limitations, to the Commissioner of Indian Affairs. Each advertising claim has as a basis an authority which is transmitted attached to the claim.

In the Office of the Secretary there are on file advertising rates of the various papers. Each advertising claim is first sent to the Office of the Secretary with copies of the newspapers to show actual publication. The office checks the advertising claims against the advertising rates. The claims then are returned to the Office of Indian Affairs for designation of appropriations and formal settlement, which is made in the usual manner of settling claims.

"BUILDING" CLAIMS.

Building claims are submitted to the office from the contractors after being certified by the disbursing officer, superintendent, or agent, and usually by a building inspector. The certification of the building inspector, however, is not required on small jobs, because a special inspector is not always designated, and, in such instances, the disbursing officer is required to certify in both capacities. These claims are compared with contracts on file in the claims section, and are always transmitted directly to the Auditor for the Interior Department.

When the contract which was approved by the Secretary is transmitted to the disbursing officer by the Education Division it has attached to it printed instructions which the disbursing officer is required to follow when making his certification.

"PUBLIC SCHOOLS" CLAIMS.

This group of claims covers tuition of Indian pupils in public schools. Because of a recent decision of the comptroller, in which he held that payment for tuition of Indian pupils in public schools is not legal whenever the Indian is entitled by State law to attend a public school without special charge, there are now fewer claims of this class than formerly.

Public school claims are usually supported by a report from the teacher of the school showing the names of the Indian pupils and

the periods of their attendance. An examination of these claims is made difficult because the Auditor for the Interior Department requires that the reports shall show the date of entry, the actual days of attendance, and the days absent in such a manner that the attendance may be mathematically verified. The original of the report is attached to the claim and transmitted to the auditor.

Mission boarding school claims are similar in character, and are handled in the same way as public-school claims.

"TELEGRAPH" CLAIMS.

The claim section verifies these claims only with regard to the appropriations against which the telegraph claim is to be charged, and in addition examines it to determine whether the telegram is a due and just charge against the Indian Service. The number of words and the rates charged are not verified by the claim section. These claims are transmitted directly to the auditor for settlement in order to avoid duplication of work.

CLAIMS FOR "REFUNDS ON LAND."

A number of Indian reservations have been in part opened to public settlement, which means that Indian lands are sold, the proceeds from the sales being credited to the Indians.

When entries of sale are canceled, the amount returned is accordingly charged to the proceeds fund. Such claims are received in the Office of Indian Affairs, after having received examination in the General Land Office. The examination which is given by the claims section only extends to the verification and designation of the fund to be charged, and the formal preparation of papers which are required in submitting the claim to the Auditor for the Interior Department.

MISCELLANEOUS CLAIMS, "RECLAMATION SERVICE."

The Reclamation Service has been performing considerable construction work on irrigation projects for the Indian Service. The amounts expended are reimbursable monthly on vouchers to the Reclamation Service from funds of the Office of Indian Affairs. After these claims and vouchers are given proper administrative approval and examination, they are transmitted to the Auditor for the Interior Department for settlement. The settlement of these claims is made by transfer of funds. The claim section does not verify in detail the charges of the Reclamation Service, but with each statement there is a detail record supplied.

"GEOLOGICAL SURVEY" CLAIMS.

The Geological Survey service makes investigations on behalf of the Indian Service. This class of claims involves small sums and usually is accompanied by vouchers approved and showing items charged for. The settlement of these claims is made through the Auditor for the Interior Department by a transfer of funds from the Office of Indian Affairs to the Geological Survey service.

CLAIMS FOR "TRANSFERS OF SUPPLIES."

When supplies are purchased for the Indian schools, it occasionally happens that one school receives supplies in excess of its needs. In such an instance, a transfer is made of the supplies to another Indian school or agency. This transfer is made and is accompanied by a transfer voucher and claim. If the transfer involves a transfer of supplies from one school to another, payment for which would have been made in any event from the same appropriation, the transfer is made by vouchers only. When, however, the transfer of supplies made involves a charge against a different appropriation, the voucher is treated as a claim and requires administrative examination, and must be presented to the Auditor for the Interior Department for settlement. The settlement consists of a transfer from one appropriation to another.

CLAIMS FOR "TRAVELING EXPENSES."

Traveling expenses constitute another form of the miscellaneous claims. There are regulations covering traveling expenses. The regulations cover:

1. General provisions:
 - a. What authority required.
 - b. Headquarters.
 - c. Route.
 - d. Actual expenses.
 - e. Per diem in lieu of subsistence.
2. Evidence of expenditures.
3. What items constitute allowable traveling expenses:
 - a. Transportation and expenses incidental thereto.
 - b. Subsistence and expenses incidental thereto.
 - c. Miscellaneous expenses.

The preparation of traveling-expense claims is precisely the same as that of any other supply claims. Their examination is made more difficult because the regulations are not carefully followed.

ANNUITY AND TRUST-FUND CLAIMS.

The trust-fund claims are for shares of tribal funds. The amount of the trust funds of the several tribes is determined from book records, and these funds and the amounts allowed to the individuals are calculated from ledgers and rolls which show the total number of Indians living and entitled to participate in the funds at any time.

When a fund has been segregated by law and the amount due apportioned to each Indian, a book record of each Indian's share is made. If such action has not been taken, then the calculation of the amount due in the principal fund has to be made at least annually—sometimes oftener. The calculation is always based on the last annuity roll showing the number of Indians living and individuals entitled to participate in the fund for that year. The claims for annuity and trust funds are handled in the same manner as the supply claims, with the exception that there is no contract against which to check the correctness of the claims. Generally the claim is for back annuity, which shows the amount is due and unpaid on

a prior roll. The claim is checked against this roll. If the claim is found to be correct, it is marked off on the roll to show that the claim has been settled. The record of the claims section is made to show that the claim is settled and the index which is maintained under the Indian's name and under the claim number or serial number is marked accordingly.

Sioux benefit claims form a large portion of this group of claims. These claims may be paid in cash or partly in cash and partly in property.

RAILROAD AND EXPENSE CLAIMS.

Bills of lading support freight claims. The bills of lading are signed by officials who ship the supplies and by officials who receive them. Bills of lading indicate that the shipment was for the Government, and indicate points from and to which the supplies were shipped with the items and quantities. The examiner checks the memorandum bill of lading which was transmitted to the Office of Indian Affairs by the disbursing officer against the original bill of lading, in order to determine shortages if they have occurred.

After checking the original bill of lading, all papers relating to the freight claim are passed to the examiner for administrative examination. This consists of an examination of railroad bills. In this examination the examiner determines whether the items are properly classified, that proper deductions have been made, and that the rates are correct. The examiner is not required to verify computations, extensions, and additions. This latter examination and verification has been permitted by express agreement with the auditor's office in order to obviate duplication of work.

PART II.—CONDITIONS WHICH SUGGEST DESIRABILITY FOR CHANGE.

CHAPTER IX.

DEFECTS IN ORGANIZATION.

Chapter II of this report contains a general description of the organization of the Office of Indian Affairs. A detailed description which goes down to each employee or group of employees in their working relations is shown as Appendix 2. These are submitted as statements of fact. The purpose of this chapter is to place before the Committee on Indian Affairs and other officers who may be interested an opinion on or appraisal of the defects in the present organization, so far as they relate to the business or trusteeship side of the problem. To make clear the scope of this criticism, it is repeated that this report does not attempt to deal with the problem of personal guardianship except as an incident to the business problem of trusteeship for funds and properties.

What are conceived to be the defects in organization for purposes of administration of the Indian estate are discussed under the following general heads:

1. Defects due to failure to distinguish functions of "guardianship" from functions of "trusteeship."

2. Defects due to failure to distinguish functions of the "line" from functions of the "staff" in organization for the administration of Indian trusts.

DEFECTS DUE TO FAILURE TO DISTINGUISH FUNCTIONS OF GUARDIANSHIP FROM FUNCTIONS OF TRUSTEESHIP.

In this relation the fact may again be stated that the Government acts in a dual capacity, viz:

1. As guardian or sponsor for the personal safety, education, health, and well-being of the Indian, who has had his hunting ground taken away from him and who is regarded as a ward, while in process of adaptation to the ways and purposes of what to him is a new civilization.

2. As trustee—or possessor of funds and properties belonging to the Indian or appropriated and held for his benefit and which are to be administered with all of the care and conservatism of a trust estate.

The Indian Service is made up of agents of a government who have been appointed to perform these two functions. It is to considerations of the organization of personal alignment of these agents that attention is here given.

GOVERNING PRINCIPLE IN ORGANIZATION.

In establishing a norm or standard for judgment as to whether the present organization is adapted to the performance of the two functions of "guardianship" and "trusteeship," it is urged as a first premise that neither of them can be most efficiently performed unless there is a clear division of responsibility on functional lines.

The primary inducement to collusion, fraud, and subversion lies, in the relation of "trusteeship" and not in the relation of "guardianship." The relation of guardianship, however, suffers whenever the trusteeship is impaired. The possession of the Indian estate, the power to contract for the Indian, the power to dispose of his moneys and properties—on the one hand—and the ever present desire of the Indian's white neighbor to make these moneys and properties his own—on the other hand—these are conditions that have operated continuously in the past to impair the Indian Service.

ADVANTAGES TO BE GAINED THROUGH SEPARATION.

The exercise of the function of guardianship should be placed on a plane such as will admit of the development of this branch of the service to the highest degree of efficiency. The considerations involved in this guardianship are primarily professional matters—those of education, health, and morality. There is the same reason for relieving the professional side of the Indian Service from both the details of property control and from the inducement to neglect education, health, and morality, that there is in a hospital or an educational institution. The teacher and the physician should be freed from business considerations in order that they may give their attention to the human side of the problem. In dealing with this phase of the problem the teacher and the physician should be unhampered to express the need of the Indians for funds and for changes in property relations. If those who are charged with the education, health, and morality of the Indian are responsible only for requisitioning or requesting funds when needed and are not responsible for the funding and the proprietary side of the problem, they (on account of their interest in the human side) will constitute an independent force to prevent the improper use of funds and properties. When, however, these two responsibilities are mixed, even though the highest ideals of trusteeship may prevail, there is less opportunity and less incentive to develop the professional side.

On the other hand, there is a clear advantage in having the agents of "trusteeship" a distinct group. The requisitions of the teacher and the physician, in their capacity of guardian—as an agent of the Government—should be drawn in such form and supported in such manner as to convince the disbursing officer and the auditor, in their capacity as trustee. Since the purpose of disbursement or change in the form of the estimate is for the benefit of the ward, the trustee should not be permitted to disburse or to alienate property except on approved requisitions or requests of the guardian. With these relations established, both the opportunity to develop a high degree of efficiency will be provided for and the inducement to infidelity in trusteeship will be removed.

DISTINCTION NOT MADE IN PRESENT ORGANIZATION.

These are distinctions which have not been made or accepted as a principle of organization. In fact, there is in the present organization no clear definition of responsibility along functional lines except among the most remote subordinates. For example, the Indian superintendent is czar within the territorial jurisdiction prescribed for him. He is *ex officio* both guardian and trustee. In both of these capacities he acts while deciding what is needed for the Indian and while disbursing funds. In each of the agencies there are from one to five clerks who devote their attention to the business side of the problem, besides teachers, physicians, and various other persons who are devoting their attention to the Indian as human being. These clerks who are charged with business functions have such titles as "clerk," "financial clerk," "property clerk," etc.; but all of them are subordinates of the superintendent or disbursing officer, who also has under him the various specialized agents who look after the Indian as ward. It would not, therefore, increase the number of the personnel employed. It would not in any manner increase the pay-roll cost of running the business to have the lines of responsibility which reach to these two kinds of problems a matter of separate organization.

The same observation may be made with respect to the office at Washington. Here there is no clear functional distinction along lines of "trusteeship" and "guardianship." In certain administrative divisions there is an approximation to such an organization; in others, both functions are thoroughly mixed and confused. The point which is here emphasized is that the principle as such has not been a controlling one in determining how the various administrative divisions of the Indian Office will be organized or what will be the manner of alignment in order to make each the most effective. On the contrary, most of these divisions have simply grown up and have performed such duties or activities as may have been acquired or assigned, even carrying with them names that are not descriptive of the work that is now being done—as in the case of the division of "education" that has under it not only education, but also health, law and order, field appointments, industries, supplies and construction, and warehouses. In other words, it is the central business organization.

DEFECTS DUE TO FAILURE TO DISTINGUISH FUNCTIONS OF THE "LINE" FROM FUNCTIONS OF THE "STAFF" IN THE ADMINISTRATION OF TRUSTEE.

In the administration of a trust estate somebody must have possession of the funds and properties held in trust; somebody must receive and disburse moneys; somebody must be held accountable for transactions involving the exercise of business discretion or accountability for the properties which are held and which are to be used for the benefit of what is known as the *cestui que trust*. In order that the acts of those responsible for conducting business transactions may be reviewed, for the purpose of determining whether the terms and conditions of the trust have been complied with, it is desirable to have their acts scrutinized by persons who have no responsibility

either for possession of the funds and properties or for the exercise of discretion in the conduct of the business. That is, persons who belong to a "staff" organization should scrutinize the acts and accounts of those who in the "line" of duty carry on the business. The difference in responsibility of the one who is called on to conduct the business and the one who is called on to report on his acts is a difference that is of highest administrative importance. As a matter of organization, the "line" or hierarchy of personnel who are responsible for executing orders should be kept absolutely distinct from the "staff" or group established with a view of keeping the executive informed with respect to the manner in which these orders have been executed.

As related to the discharge of the trust activities of the Indian Service the disbursing officer, the property clerk, the financial clerk, the storekeeper, would be men of the "line," while the auditor, the inspector, the special agent asked to report on the transaction of agents would constitute the "staff." These are distinctions which have not been kept in mind in organizing the business or trust side of the Indian Office.

CONDITIONS ADVERSE TO THE DEVELOPMENT OF INDIVIDUAL EFFICIENCY.

Aside from the defects in the general plan and principle of organization which have been discussed, attention should also be called to the conditions which are adverse to the development of individual efficiency in the service. These adverse conditions are of two classes:

1. The political considerations still dominant.
2. The lack of opportunity given to the personnel for the development of a career.

POLITICAL CONSIDERATIONS STILL DOMINANT.

In the past the greatest improvement which has been made in the organization and personnel of the Indian Office has been accomplished through taking a large part of it "out of politics." Although the Indian Service is primarily a trusteeship and is one which should have been kept entirely free from the "spoils system," like many other of the National Government relations whose functions are peculiarly sacred, this, for decades, was one of the largest fields for political plunder. During and immediately following the Civil War, the conduct of the office became so scandalous as to call for special action on the part of President Grant looking toward a better management and control. It was with this primarily in view that he attempted to organize a staff from the disinterested representatives of such organizations as the Friends' Society and the leading churches. The Indian Service was one of the first to be placed under civil-service regulations and at the present time a very large part of it is under the indirect control of the President, through the Civil Service Commission, instead of being made up of job hunters who receive their appointments as a reward for partisan activity or for other personal and selfish ends.

The chief executive positions, however, are still the subject of political influence. This, without question, should be changed.

There is absolutely no sound argument supporting partisan appointments to a service which should be highly professional or specialized in character and which has for its purpose dealing with questions of guardianship and trusteeship.

But, aside from these large and broadly human questions, there is a reason and self-interest which should stimulate the white man in his efforts to care for the Indian on the human side. Without the exercise of strict guardianship the Indian is a danger to the whole white population. While the number of Indians has not been large as compared with the total number of white persons within the United States (only about one-third of 1 per cent), it is scattered over 24 States, comprising three-fifths of the territorial area of the United States. Without strict surveillance over the physical well-being and morality of the 300,000 wards of the Government each would be a center of infection from which trachoma, tuberculosis, and other contagious and infectious diseases may spread to the 10,000,000 people with whom they directly or indirectly come in contact during a year. An organization to discharge the duties of a guardianship of this kind should not be compromised by any of the motives which dominate partisan control or what is known as "patronage."

LACK OF OPPORTUNITY GIVEN TO THE PERSONNEL.

Mention has already been made of the fact that the Indian Service is divided up into small cross sections or units of organization that have fixed upon it a personnel that is practically unchanging or which changes with very great difficulty, due to the present method of appropriation and control over the personnel by an irresponsible committee or committees of Congress. If, on the other hand, positions in the Indian Service are classified in such manner as persons doing similar work or performing similar services are given an opportunity that would be service-wide; if, furthermore, each of these varying services were grouped so that the kinds of work might be specialized with respect to the grades of experience or efficiency that are required and these grades as compensation for work within each of these grades, a graduated salary rate might be established. And, if, in addition to this, some method were provided which would enable those in charge of the service and the Civil Service Commission to rate persons on the basis of merit or individual efficiency developed, the continuing inducement for each man in the service would be to become more efficient. The esprit de corps of the service would be improved. Men who are now depressed and without hope, having continued for years without promotion, would have a new outlook and would feel a new interest in this highly specialized work of the Government. These are factors which should be taken into consideration in any plan for the reorganization of the Indian Service and for placing it on such a basis as would be adapted to discharging the obligations of the Government, acting in the capacity of guardian for the health, comfort, and welfare of the Indian, on the one side, and in the capacity of trustee for his funds and properties, on the other.

CHAPTER X.

DEFECTS IN METHODS OF DOING BUSINESS.

For the purpose of this report, criticism of the minutia of business does not seem to be called for. There are certain general characteristics of method, however, which should be considered. Among these are the following:

- (1) Methods of making appropriations.
- (2) Methods of allotment of funds.
- (3) Methods of inspection.
- (4) Methods of purchasing.

DEFECTS IN METHODS OF MAKING APPROPRIATIONS.

The present methods of preparing estimates and submitting requisitions for appropriations have been described in Chapter III. The appropriations as made are not determined by any uniform principle of analysis or control. The major part of the funds granted by Congress annually are subdivided or itemized by functions or activities—that is, each amount is appropriated for a kind of work to be done, not by any particular Indian agency but by all agencies, as for example:

For surveys, resurveys, classifications, appraisement and allotment of land in severalty, under the provisions of the act of February 8, 1897, etc----- \$250,000

Or, again:

For the construction, repair, and maintenance of ditches, reservoirs, and dams, purchase and use of irrigation tools and appliances, water rights, ditches, lands necessary for canals, pipes lines, etc----- \$35, 700

Or, again:

For support of Indian day and industrial schools and other educational purposes not specifically provided for herein, etc----- \$1,420,000

What may be called the general appropriations for functions are left to the administration to allot to each of the several agencies. Each of these appropriations are subdivided by the board of estimate and apportionment after they have been fixed by Congress.

A part, smaller in amount but greater in number of items, of the annual appropriations, however, is subdivided on geographical lines as, for example:

Montana:

Support of Indians of Fort Belknap (?) Agency-----	\$20,000
Support of Indians of Flathead Agency-----	9,000
Support of Indians of Fort Peck Agency-----	35,000
Milk River irrigation system, Fort Belknap Agency (reimbursable) ..	15,000
Irrigation system of Flathead Reservation (reimbursable)-----	200,000
Irrigation system, Blackfeet Reservation (reimbursable)-----	100,000
Irrigation system, Fort Peck (reimbursable)-----	100,000
Fulfilling treaties with Crows-----	6,000
Support of Northern and Arapahoe Indians (fulfilling agreement) ..	85,000
Line riders, North Cheyenne Reservation-----	1,500
Purchase of stock, cattle for Northern Cheyennes (reimbursable) ..	100,000
Support of Rocky Boys Band of Chippewas-----	10,000
Civilization, etc., Fort Peck Indians (reimbursable)-----	100,000

Appropriations of this kind do not need to be allotted by the administration. They are distributed by Congress itself. And this fact brings out one of the defects in method. The purpose of an appropriation is to enable the executive and legislative branches of the Government to exercise control—

1. Over the contracting and purchasing relations of governmental agents and subordinates, including the purchase of personal services, supplies, materials and equipment; the payment under contract for construction and repairs and other services not personal in character.

2. To exercise control over questions of policy.

Neither of these purposes is adequately served by the form of the Indian money grants. That is, any attempt on the part of Congress to establish a list of salaries which is localized to superintendencies and administrative subordinates, as is at present done, does not operate to control the contracting for personal services. It only fixes these relations and throws on Congress the exercise of a form of discretion that can be intelligently exercised by the administrators alone. Furthermore, such a method precludes the working out in the service of a plan of promotions and salary adaptations corresponding with the kinds of work to be done and the efficiency of those employed. By this method not only is any attempt at developing a service-wide opportunity for the efficient employee defeated, but, generally speaking, each employee is limited both in his experience and his opportunity to a single office or superintendency. The method at present employed makes the personnel dependent on the good will of an irresponsible congressional committee or the use of political influence rather than the subject of discipline administered under general administrative law and regulation. From every point of view the present method of appropriation is defective. The items of appropriation are not of a character to provide for the exercise of legislative and executive control over the contracting and purchasing relations, for the reason that the primary classification is by functions or kinds of work to be done rather than the kinds of services or things to be purchased; in so far as control over contracting relations is provided for, it is in the schedules of items such as salaries and wages attached, and these are in such a form as to hamper the service and preclude the utilization of administrative discretion and the development of efficiency.

Again, it does not provide for settling questions of policy. This purpose is defeated, first, because the items are now classified in such manner that the administrator may change a particular voucher to any one of two to a dozen accounts as may suit; second, because it does not establish the conditions or provisions controlling allotments with a view to fixing executive responsibility for the exercise of proper discretion. Furthermore, the present system of appropriations is such as to make the administration unnecessarily expensive, as under the present practice the Indian office is required to carry many times more appropriation accounts than are needed for purposes of financial control, and it undertakes to do the impossible by attempting to enforce the control over cost data through appropriation charges.

DEFECTS IN METHODS OF ALLOTMENT.

The methods of allotment are defective in that the laws or conditions attached to appropriations governing allotments have not been worked out with a view to exercise of control over the efficiency and economy of conducting an Indian service. Again, they are defective in that the allotments are set up arbitrarily in the central office after the appropriations have been fixed, without adequate data and without obtaining from those responsible for the work in the field expert opinion as a basis for the apportionment. In other words, as shown in the description of the allotment system, the central office relies largely on the "rule of thumb" judgment or impressions of persons who are not responsible for or in touch with details of the transactions of the agencies to determine the allotments and then makes no provision for using cost data either for purposes of review or readjustment. The whole process comes to be one of personal equation or customary practice rather than one of action based on data which may be used as a guide to current judgment. Both the principle of control over purchasing relations and of control over the efficiency of management would be made more effective in case the appropriations ran according to the character of the contracting relations or classes of things to be bought, rather than by functions. For example, let us assume that the appropriations carried some such items as the following:

For personal services-----	\$000, 000, 000
For purchase of services other than personal-----	000, 000, 000
For purchase of supplies-----	000, 000, 000
For purchase of materials-----	000, 000, 000
For purchase of equipment-----	000, 000, 000
For construction, etc.-----	000, 000, 000

Assuming that these appropriations were based on estimates that where supported by actuarial data produced through the accounts of the various agencies, the amount of the annual need for funds would be settled after considering quantities, prices, and estimates of things required for proposed work to be done. Congress having set up the amount available for personal services, the use of that could be controlled by a list of positions, grades, and salary rates authorized for the service which would support the total amount of appropriations for personal services.

Then, instead of attempting to decide on the number of clerks at \$720 who could be employed at the Rosebud Agency, the question of the use of the positions, salaries, and grades established, and the promotions and demotions, etc., could be left to administrative determination.

The purchases of services, other than personal, might be conditioned by general rules governing such matters as transportation services, telegraph and telephone service, postage, etc. The amount appropriated for materials, supplies and equipment could be conditioned by provisions requiring definite specifications in so far as these might be set up by some designated office which would be authorized to establish them, etc. The functional use of these services and things could then be controlled through allotments and cost accounts that would give both to administrators and to Congress a strict account in terms of standards of economy and

efficiency. This could be done through prescribing some such conditions as the following:

That after the amounts of the annual appropriations shall have been made, and not later than July 1 of each year, the head of each administrative division shall submit to the Commissioner of Indian Affairs a request for allotments in accordance with the classification of functions or kinds of work to be carried on, set forth in the requests for appropriations, which requests for allotments shall carry with them estimates of the number of persons required, their positions, service grades, and salary rates, and of the kinds of materials, supplies, equipment, and services, other than personal, with the estimated amounts required for each, which estimates shall be summarized by the board of estimate and apportionment and resubmitted to the Indian Commissioner with its recommendations. And the Indian Commissioner, subject to the approval of the Secretary of the Interior, shall allot the total amount appropriated, setting forth in the order of allotment, the amount which may be spent for each function, activity, or work process to be carried on (or shall designate what amount of the total amount appropriated shall be held in reserve for future allotment), which allotments, when approved by the Secretary of the Interior, shall constitute an authorization to carry on the several functions, activities, and work processes; and no pay roll shall be paid, and no voucher shall be approved for payment, until such allotment shall have been made.

That accounts shall be kept with each item of appropriation showing the original amount appropriated; the credits or reimbursements during the year; the encumbrances, such as contracts and open-market orders entered into payable therefrom; the unencumbered balance; the pay rolls or vouchers drawn; the balance subject to voucher; the advances from the Treasury; and the balance remaining subject to requisition.

That accounts shall be kept with each item of allotment for functions, activities, and work processes, showing the cost of personal services, the cost of materials, supplies, equipment, services other than personal, and other costs, which accounts shall be charged from the time records, deliveries from stores, invoices for direct deliveries, and other documents or registered totals of documents from which exact cost of work may be determined. And standard detail expense and cash accounts shall be installed in each superintendency or office which shall be kept under the control of the allotment accounts at the central office.

That each office in which accounts are kept shall submit a report showing the expenses and cost of work monthly, which report shall be audited and reconciled with the controlling allotment accounts in the central office.

DEFECTS IN METHODS OF INSPECTION.

Efficiency in administration depends in no small measure on the ability of those at the head of the administrative "line" utilizing a "staff" for the purpose of independent review and report on the acts and results obtained by subordinates. An effective inspection corps or "staff" must (1) be so organized that it will not be responsible for any of the acts or results reported on; (2) report review-

able facts from which conclusions may be drawn. The inspection service is lacking in both of these essentials. It is not entirely relieved from line responsibility; on the contrary, responsibility is at times much confused and an adverse report would be self-condemnation. It has not developed any systematic method of reporting facts and conditions. Unless a special report is requested, an inspector or special agent who goes to a superintendency reports on such subjects and in such form as he may see fit, and these reports are usually in the nature of conclusions reached by the inspector rather than evident or reviewable facts. For example, an inspector may report that a schoolhouse is in an insanitary condition. There is no form provided on which he is to report the facts and conditions that would lay the foundation for judgment as to whether a schoolhouse is sanitary or insanitary. Inspection has not been reduced to a formal itemization of the points to be observed. A score card might be devised for each subject of report on each reservation. This has not been done. Therefore, the central office must rely on the judgment of the man in the field and blindly support him.

Not only does this method stand in the way of the exercise of executive discretion and force the management into a bureaucracy, but the benefits of inspection are largely destroyed so far as they may be utilized in the development of individual efficiency. If instead of reporting that the schoolroom at the He Dog day school was in an insanitary condition the report were in the form of a score card with collateral explanatory remarks, the report would put both the inspector and the inspected to the test of reviewable statements of fact. In case the inspector failed to make certain observations required, it would be discovered and he could be held responsible. If he made them and did not report accurately, this would be found out. Any error in statement of fact would ultimately react on the inspector, for in case it reflected on the superintendent, he would join issue, while if it were undeservingly favorable to him, subsequent inspection by another person would develop this fact. The method of inspection is as crude as it is unsystematic. Before this branch of the service performs its part it must be rebuilt from the bottom up.

DEFECTS IN METHODS OF PURCHASING.

Without going into the results obtained in making purchases, the methods themselves condemn the service.

In the first place, the contracts are made under conditions which stand in the way of getting best results. They are made under stress of time limitations and uncertainty as to amounts to be appropriated on estimates submitted before the appropriations are settled. In the second place, methods of purchase and distribution are tied up in red tape to such an extent that in many instances the cost to the Government is unnecessarily increased. In the third place, the methods of custodianship are such that there is no way of determining whether things purchased serve the use intended. The stores and property accounting is only a paper record.

As against the present methods, with millions of funds due to the Indians, it would be only businesslike to make available a fund for

purchases and stores balances that would not throw purchases into a state of confusion and would enable the Government, through its agents, to purchase as economically as any large corporation.

There is no excuse for not developing a procedure both for purchases and stores and property accounting that would enable the Government to exercise control over custodianship.

OTHER SUBJECTS OF COMMENT.

There are many other subjects of business method which might be made the subject of comment. It does not seem necessary, however, at this time to do more than to give, by way of illustration, evidence of need for far-reaching revision, the details of which should be worked out when the constructive side is entered upon.

CHAPTER XI.

DEFECTS IN METHODS OF ACCOUNTING AND REPORTING.

The Office of Indian Affairs, whose volume of business runs to many million dollars each year and whose trusteeship includes the custody and control of approximately a thousand million dollars, worth of property, is equipped with records so inadequate as not only to imperil the rights of those for whose benefit these funds and properties are held, but to leave the administrator himself without protection. An accounting system is maintained which is single entry in principle. The accounts are partial and inaccurate in many particulars. It is impossible with present methods for the officials of the Indian Office to keep in personal touch with the many varied transactions and the constantly changing status of property and funds.

NO BALANCE SHEET.

One of the primary essentials of a system of accounting records is that it will at all times make it possible to know what the persons for whom the accounts are kept own, and what they owe. Whatever else is kept or not kept, it should be possible to make a statement of assets and liabilities. The books of account maintained in the home office do not lend themselves to the preparation of a balance sheet. There is no way of preparing a statement which will show the financial condition of the various funds. There are no records from which can be obtained a true statement of revenues and expenses. There is no record maintained from which can be obtained a statement of the property and funds with which the Indian Office is charged.

Some of the liabilities are known, but not all. The books are maintained on a basis of cash received and cash disbursed. A record of disbursements can not show what amounts should be paid. A record of receipts can not show what amounts should be collected. There is only one set of books which admits of being balanced and proved as to accuracy of clerical work. These books are the appropriation ledgers. But the appropriation ledgers do not show the true condition of appropriations; they are not maintained in such form as to be checked with Treasury balances.

It goes without saying that the accounting system as it is maintained to-day in the central office is totally inadequate. The many ledgers and records which are maintained are the result of practices which have been handed down during a long period. Some innovations have been made in recent years, but what is needed is a systematic overhauling.

DEFECTS OF THE GENERAL APPROPRIATION LEDGERS.

Trial balances are not taken from the subsidiary ledgers; nor are the ledgers and registers at present controlled as to their accuracy. The appropriation ledgers are in effect a duplicate of ledgers maintained in the Treasury Department. The information which is recorded in the general appropriation ledger is taken from statements which are supplied from the Treasury Department. No other information is added to them by the Treasury Department except segregation of the Indian moneys, proceeds of labor, and a few others where more detail seems desirable.

The present form of general appropriation ledger is made necessary by the present procedure; but, with a modified procedure, the work of keeping this ledger could easily be saved as the information could be developed on other records without additional cost. In the present form these records are quite separate and apart. They do not balance with any other accounts nor can they be proved to or used as a part of a scheme of information developed by other ledgers or records maintained in the finance division. Because the general appropriation ledger is kept on a basis of cash received by and advanced from the Treasury, it does not and can not show encumbrances against the several funds. It does not show the balance subject to voucher, the unencumbered balance, or the reserve for contracts and open market orders.

GENERAL APPORTIONMENT LEDGER.

The general apportionment ledger is a record used for the purpose of showing the various appropriations as they are apportioned to the various disbursing officers. Some of the larger appropriations are apportioned to as many as 150 different agencies and schools—in some instances as high as 15 apportionments are made from different appropriations for the same school or agency. This ledger in itself is not of much value, except for determining the balance of undistributed and unallotted funds remaining in the different appropriation accounts. The appropriation ledger is not balanced, and its accuracy depends entirely upon the accuracy and efficiency of the bookkeeper making the postings. It is not used throughout the year except when additional distribution is made from the various funds and appropriations still carrying an undistributed balance.

LIABILITY LEDGERS.

The term "liability ledgers" is a misnomer. The liability ledgers do not show outstanding liabilities nor do they show encumbrances against the appropriations. Into the liability ledgers are not entered amounts which have either been expended or incurred, but "authori-

ties" to expend. By this means it is not possible to ascertain the amount still available for use in a given appropriation, but rather an amount to be assigned to the different disbursing officers for expenditure.

It is not an uncommon occurrence to have certain expenditures authorized from an appropriation which the disbursing officer does not use for a considerable length of time and may not use at all; nevertheless, the "liability ledger" will show an encumbrance against that appropriation as if there were no funds available. "Liability ledgers" as they are maintained to-day do not afford an opportunity of showing the disposition of each "authority," because the "authorities" issued are not balanced against "expenditures" and "savings" reported subsequently. The liability ledgers and the method of posting into them do not permit of control, and the accuracy of the posting is entirely dependent upon the clerk who makes the posting.

The "liability ledgers" are never balanced, and it is not at all an uncommon occurrence to find that the totals which are carried in pencil are incorrect. The "liability ledger" is only a memorandum record, and unless modified and placed under control is a record which is of little value to an administrator of the Indian Office.

COST LEDGERS.

The term "cost ledgers" is also a misnomer. The cost ledgers do not show the cost of the Office of Indian Affairs, nor do they show accurately the cost of any portions of the service. The cost ledgers are only a record by which are analyzed the expenditures made by the field surveys and some expenditures of the home office.

The analyses which the cost ledgers provide include the expenditures of disbursing officers, but they do not include the expenditures incident to the conduct of the business of the Indian Office in Washington.

With the exception of a few minor expenditures, all expenditures of the home office are provided and paid from the appropriation in the legislative bill. As a result, any summaries prepared under the various appropriations only partly represent the cost.

The cost ledgers, as they are maintained to-day, are records which do not show accurately the expenditures made under the various appropriations.

Although a very elaborate classification in the cost ledgers has been provided, the classification does not lend itself particularly well to the production of summaries which would state how much was expended for some of the major functions of the Indian Service.

It is impossible to ascertain, without much labor and effort, the cost of health work in the various agencies, schools, etc. Likewise it is difficult to ascertain the cost of irrigation, of agriculture, of forestry, because there is no definite classification by functions. Expenditures which clearly should be charged to one function are frequently charged to appropriations and accounts of a wholly different character, because the descriptions of appropriations are so broadly phrased as sometimes to seem all inclusive.

Because the classification of the cost ledgers is not along functional lines, it is possible to ascertain the cost of certain functions only

after a long and tedious analysis. The fact that certain expenditures can be recorded in the cost ledgers under a number of appropriations, the designation of which rests entirely with the examiners of the accounts section, prevents a possibility of establishing comparative data which would produce figures the growth or diminution of which would indicate a change requiring administrative attention.

The cost ledgers are posted from "quarterly accounts" of disbursing officers and "claims" which reach the cost clerk from the claims section. In entering quarterly accounts of disbursing officers, the expenditures are charged against the appropriation accounts indicated by the disbursing officer. The accounts section examines the quarterly accounts, and in the course of its examination may find that the disbursing office has charged certain amounts against appropriations which are not applicable. The examiner of the accounts section notes on the abstract of disbursement the change or transfer to be made. This change is only a memorandum change, and does not become effective until the auditor's office of the Treasury Department passes upon it for examination. Therefore, it is quite frequently the case that the accounts section suggests changes and transfers, or disallows or allows items which subsequently are approved or disapproved by the auditor's office.

The cost ledger clerk makes postings in his cost ledgers from the memorandum statements which are corrected by the accounts section, and many statements are subsequently changed in the auditor's office. The auditor's office does not report to the cost clerk or to the Office of Indian Affairs the allowances or disallowances made by it, and, therefore, the cost ledgers are incorrect, because they do not take into account transfers from one account to another, or allowances or disallowances made by the auditor's office.

Postings are also made in the cost ledgers from claims, and much care is given to the verification and accuracy of these postings by checking up any one or two accounts. It becomes very difficult to establish this check if the cost ledgers with regard to these accounts are not correct and accurate. When, at the end of the fiscal year, statements are prepared for congressional use, it is self-evident that figures which compose these statements are incorrect to the extent to which the cost ledgers are incorrect.

An additional fact enters into the preparation of these summary statements. The fiscal year ends June 30, and the summary statements have to be completed by October, which leaves a very short time for entering up the expenditures under the last quarterly accounts of disbursing officers. Because of this fact, disbursing officers frequently do not report in their last quarterly accounts all expenditures which should have been considered in that quarter, but carry them over to the next year's appropriation. This results in inaccuracy and a lack of control over disbursing officers.

Still another factor enters into the method of posting the cost ledgers. The cost ledgers are so columnarized as to provide headings which do not lend themselves to a definite classification. It frequently occurs that an expenditure can be recorded equally well under two or more headings provided in the cost ledgers, and it therefore depends largely upon the judgment of the cost clerk to de-

termine under which column the entry shall be made. He may enter the same kind of an expenditure under two different columns provided he does not definitely recall where the previous expenditure has been recorded. This condition likewise prevents a proper comparison with preceding years.

"AUTHORITIES."

The present method of issuing authorities, which grant to the disbursing officers and others of the Indian Service the right to expend money for purposes for which request has been made, is entirely inadequate and faulty. There is no definite procedure established by which it can be ascertained what appropriation or fund must be encumbered with the authorities when making certain purchases.

It happens frequently that two authorities are requested for identically the same items of expenditure at different times of the year or by different agents, and (because of the present inadequate method of issuing authorities) the two authorities will be charged against different appropriation accounts. The two or more appropriations which are applicable under the present method of designation of funds may be used entirely as seems best in the judgment of either the bookkeeper, the clerk in charge of authorities, or the chief of the Finance Division, the latter exercising final judgment where a designation of the appropriation seems incorrect.

Aside from the fact that such a designation of funds from which expenditure shall be made is entirely unbusinesslike and unsatisfactory, a much more vital defect can be found in the fact that in designating the fund from which expenditures are to be made, schedules of the estimates of needs for the fiscal year are not consulted. The disbursing officer prepares his schedules of estimates of needs and includes a given expenditure in an appropriation which he designates in such estimates. When authorities are issued it is often a matter of judgment of the disbursing officer as to what appropriation is to be charged.

When the allotment of funds is made at the time each disbursing officer is allotted a certain amount from the lump-sum appropriation, it is not specifically designated to what extent these estimates of needs have been modified and which of the many expenditures contemplated have either been considered as unnecessary, or, if considered necessary, to which appropriation fund they have been transferred. It, therefore, occurs that the disbursing officer may make request for an authority from the appropriation under which he originally contemplated making the expenditure. When the authority is passed to the clerk after designation of fund, he may choose one of the many appropriations which are applicable. The authorities are registered in the liability ledger under the appropriation account before they have been approved by the acting commissioner.

It occurs, although not frequently, that an authority in the course of approval is canceled or disallowed, and no notice is given the Division of Finance of its cancellation. As a result, there remains an encumbrance against the appropriation with regard to this specific authority, whereas in reality no such authority is out-

standing. This has a two-fold effect. It prevents the Indian Office from charging other authorities which are applicable under this appropriation to this allotment, and it leaves the amount of money idle when it could be used for other purposes.

Authorities are not liquidated in the liability ledgers. They stand as an encumbrance against the specific appropriation on the liability ledgers. The reports, both "quarterly accounts" and "savings," are not entered in the liability ledgers in cancellation of an authority. As a result the status of the different authorities can not be ascertained with regard to the amount expended from an authority, or the amount which still remains unexpended in the hands of a disbursing officer.

REQUISITION FOR FUNDS.

Under the regulations of the Office of Indian Affairs, the requisition clerk is permitted to send out amounts on requisition from a disbursing officer not in excess of his bond and not in excess of the amount of authorities previously granted. The clerk has to guide himself entirely by records of the Finance Division.

Because of the present method of bookkeeping, the liability ledgers are not accurate and frequently do not state the facts.

It has occurred that authorities requested, although subsequently canceled or not approved, have been entered upon the liability ledgers as encumbrances against the appropriation, and the requisition clerk, assuming that the registration in the liability ledger is that of authorities granted, has issued funds against these registered authorities. It is true that the disbursing officer, according to present regulations, could not use this sum advanced to him on requisition until he obtained an authority, but the fact remains that the system permits issuing funds upon requisition without proper authority being granted.

NO CONTROL OVER PROPERTY ACCOUNTS.

Through "property return" the Office of Indian Affairs is given notice that disbursing officers have received and are accounting for supplies and articles. The property returns as prepared to-day are not well adapted to a proper and adequate check. The amount of property remaining on hand at the close of one quarter is not checked with the property returns for the next succeeding quarter. A check of one return with another is only made when it is a return under a bond or a fiscal return of the disbursing officer. This, however, is done only because it is required that the final return of a disbursing officer must have attached to it the receipt of the disbursing officer's successor.

At no time, not even at the time when one disbursing agent is replaced by another, is there an inventory taken under the supervision of the Indian Office. Occasionally this is done by one or both men interested, but not officially. There is no way provided by which the Indian Office can determine that the incoming disbursing officer has actually received all that he has signed for and that the outgoing official has actually turned over all the property to his successor.

It would be an almost impossible task to verify the statements which accompany the final property return after a few weeks had elapsed. That this fact has been known to the administrators of the Office of Indian Affairs can be seen from the following paragraph, which is an abstract from a letter written over the name of R. G. Valentine, Commissioner of Indian Affairs:

* * * Having long realized that the present property accounts are almost worthless from an administrative point of view, and that consequently spending much time on them is wasted, and whereas we have already begun to install a system of accounts that will mean something, I make this order * * *.

Although this order states that a new installation of a system of accounts was begun, little or no progress has been made in this line since 1911, and for all practical purposes the property accounts and the system used now are nearly the same.

QUARTERLY ACCOUNTS.

The accounting section of the Finance Division and the office of the Auditor for the Interior Department perform to a large extent the same kind of an examination. This produces a duplication of work on many points. It requires a double force, and such force has to pass over the various items in rather a superficial manner, because of the volume of work involved in the examination. The account section checks carefully these accounts.

The quality of this audit and checking largely depends upon the quantity of work on hand, and when the volume is so great that the clerks become overburdened, the account section is forced to make a rather hurried examination of these accounts. The examiners have no right to allow or disallow any items or amounts stated in the reports. The examiners have the right only to question the propriety or impropriety of certain charges. They are not permitted to suspend, disallow, change, transfer, or make any alteration on the original quarterly return. If there are any items that seem to be incorrect, the account section may criticize by making notes and preparing a letter of advice to the disbursing agent to this effect.

It is left entirely to the auditor to determine whether the questions raised are just. The auditors may agree with the opinion of the account section and they may totally ignore the suggestions made.

With the exception of possibly such additional records and information as the personal record of employees and their salaries, and some other minor records which the Indian Office possesses and which the auditor's office does not have, the original records are used for auditing purposes in the above places. Therefore it would seem to be true that much of the work is being duplicated. There is duplication of work on nearly every item of every statement, with the exception of items relating to individual Indian money accounts.

There is at present not sufficient authority vested in the examiners of quarterly accounts of the Finance Division, and there is a marked lack of cooperation between the auditor's office and the Finance Division. The latter particularly shows itself in the fact that frequently the auditor's office adjusts quarterly accounts and does not

report these changes to the Finance Division. This in itself has an effect on the cost ledgers, the liability ledgers, and the records which are maintained in the office for keeping a distinct check upon authorities granted and moneys expended therefrom.

LACK OF UNIFORMITY.

There is no prescribed accounting method which the disbursing officers are required to follow. Generally speaking, each disbursing officer may maintain any books of account he may choose.

Certain books of account have been presented by the comptroller which each disbursing officer must keep. However, the procedure in keeping these books of account is not definitely regulated. Although the book of rules, published in 1904 and still in use, provides that all property and cash shall be accounted for by disbursing agents, it does not prescribe the method by which such accounting shall be made.

One or two agencies have attempted a double-entry system. With the exception of these, the accounting methods employed at the various reservations are single entry. There has been made an attempt at uniformity in account keeping by having supervisors visit the different reservations and make suggestions. A certain degree of uniformity has also resulted from the requirements laid on disbursing officers with respect to their quarterly and annual reports. The form of report is prescribed, but the means for filling out the report is largely left to the agents. They are only bound to maintain records which will provide for them the financial data and statistics.

PAY ROLLS.

Pay rolls are prepared in such a manner that they do not lend themselves to a ready audit. Under the present method of reporting the services of Indians and others on the reservations it is impossible to check the accuracy of the charges as stated on the pay roll. There is nothing to prevent the disbursing officer from employing labor, men, and teams for any work which he may deem advisable and charging their time to appropriations which are not applicable. He may employ laborers on any work at will and charge their services to any appropriation in which he has the largest balance. There is nothing in the pay roll or in any other reports of the disbursing officer, or of any other employee of the Office of Indian Affairs or auditor's office, to show that the persons employed actually perform services.

The auditors carefully check the figures as stated on the pay rolls, but really perform only an arithmetical service. They are not able to check and audit the expenditure of this money in any way which will assure them that a proper expenditure has been made.

Pay rolls are not unique in this particular respect. Nearly all documents, reports, pay rolls, etc., are returned to the Office of Indian Affairs with a certificate of a disbursing officer. The disbursing officer's certificate is the only certificate which appears, although occasionally other employees of the Indian Service at the reservations provide certificates with regard to expenditure and receipt of money.

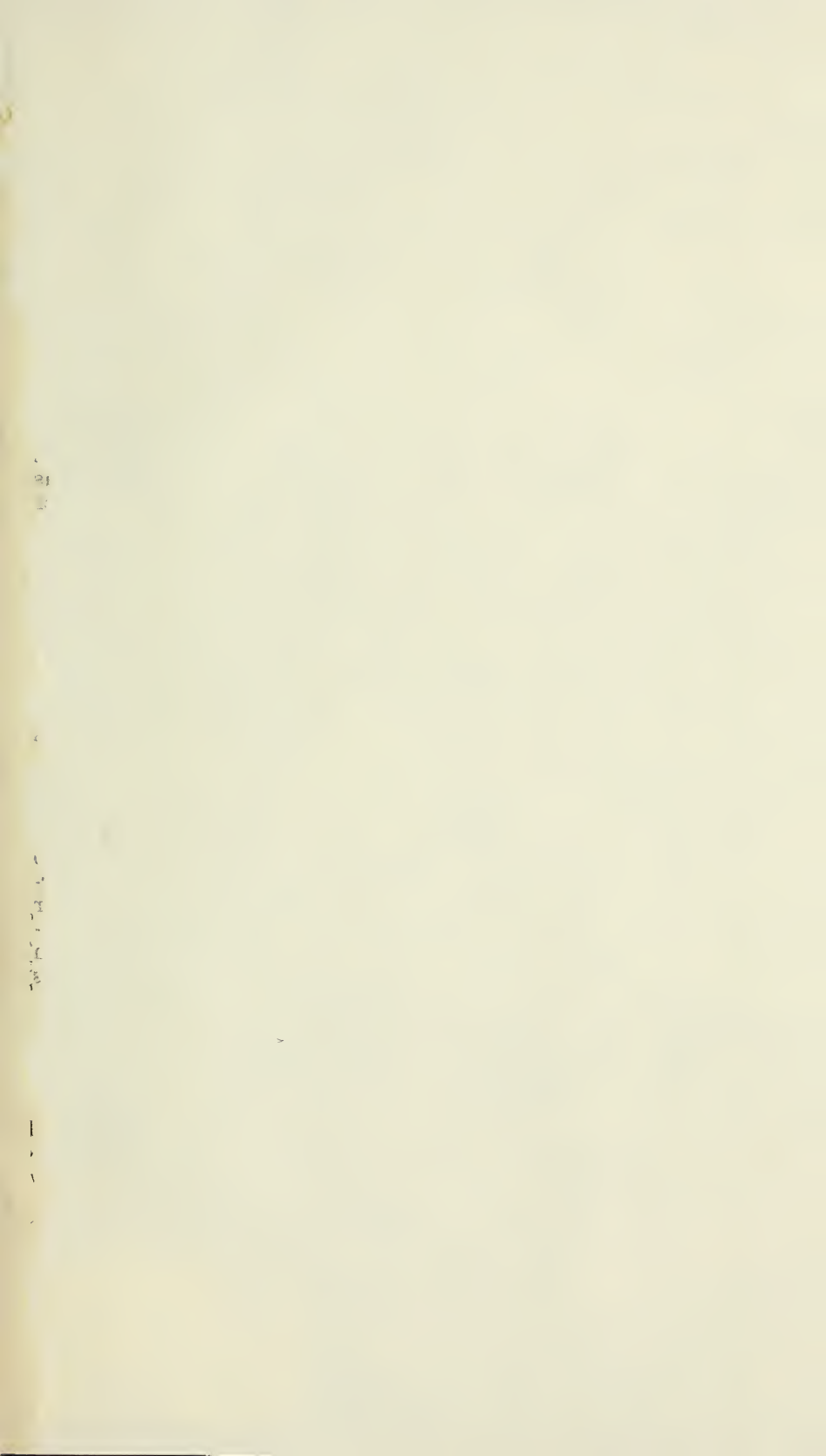
LACK OF CONTROL OVER DISBURSING OFFICER.

Under the present method there is little or no control by the central office over the disbursing officer. Because each disbursing officer is given the power to exercise judgment as to which of the many funds at his disposition he shall use, he obtains authorities of sufficiently broad designation to make it possible to expend money from any one of several, and no means is provided by which either the Office of Indian Affairs or the auditor's office may determine the propriety of the expenditure. There is no proper method provided for ascertaining the amount of money received and disbursed by disbursing officers. Only by careful checking of such accounts as show discrepancies does it ever come to a balancing of entries made against the appropriation or account in question. There is no control over the disbursing officer for the properties which are in his possession. There is no means provided by which he is accountable to the central office for the properties which he has received and which he has disbursed. In fact, there is no way other than by a physical examination of the property, the taking of an inventory, and by a most detailed and tedious check that the status of the property on hand and what should be on hand could be ascertained. There is an absolute lack of coordination between the various agencies. Each agency employs such methods as seem advisable and desirable to the disbursing officer.

BUDGET ESTIMATES.

The disbursing officers in preparing their budget estimates in the main prepare them on arbitrary estimates of their future needs. Disbursing officers, anticipating a cut to be made in the central office, overestimate their needs and overemphasize in their "justifications" the importance of certain items. They have no means at their command, except such memoranda and such records as they may keep for their own personal use and guidance, from which they can determine with any degree of accuracy what their needs will be a year hence. This is because they do not maintain records of work performed in a manner which lend themselves to comparison. Although they provide statistical information, this statistical information is not of such a nature as to aid in preparation of the estimates.





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